FINANCIAL TIMES

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Soviet industry: the case of the missing trucks, Page 16

NEWS SUMMARY

GENERAL

Afghan blaze kills 1,000

More than 1,000 Soviet troops and Afghan civilians died when a fuel tanker caught fire and exploded after a collision in a road tunnel north of Kabul.

Most died of asphyxiation in the 2.7km long Salang Pass tunnel in the Hindu Kush mountains.

The accident occurred last week when the lead vehicle of a Soviet troop convoy collided with a tanker causing a pile-up of vehicles. Western diplomats said troops blocked entrances to the tunnel in the apparent belief that rebels had mounted an attack inside. Page 4

Pope plot foiled

A warning from Spanish Premier-elect Felipe Gonzales to French authorities led to the arrest of two Basque separatists police think were planning to kill the Pope during his weekend visit to Spain's Basque country.

Angola 'bomb raid'

Angola's Defence Ministry said South Africa had renewed bombing raids on military positions 130kms inside Angola.

Cyclone kills 163

A cyclone killed at least 163 people in Gujarat, west India. About 1,500 fishermen were reported missing or adrift on high seas. In Italy, storms killed at least three.

Israel tourism plan

Israel has drawn up a 10-year plan for developing tourism to the occupied West Bank which completely ignores the 725,000 Palestinians living there. Page 4

Upper Volta head

Major Jean-Baptiste Ouedraogo was named as Upper Volta's new leader 48 hours after the military coup which toppled Colonel Saye Zerbo's two-year regime.

Telephone to space

People around the world will be able to use a special telephone number to listen to conversations among astronauts when the Columbia space shuttle takes off for its fifth mission, due tomorrow.

Greek ship rescue

U.S. Navy helicopters rescued the 22 crew members of Greek cargo ship Angelika R which caught fire 100kms south of Cyprus.

Police locked in

A gang of armed men padlocked the gates of the gendarmerie car park in Meaux, France, and then stole FFr 250,000 ($34,000) from the nearby post office.

Bus crash: 40 hurt

About 40 people were injured when a bus careered off the road and slid down an embankment near Kiel, West Germany. Another 12 were hurt in a train crash north of Hamburg.

Briefly . . .

Two-year-old Craig Peeters was killed when he fell out of his father's plane in South Africa.

Convicted murderer Tadeuz Weresko tried to commit suicide by swallowing a penknife in Chaumont prison, France.

French expedition failed to climb 7,193-metres Glacier Dome in Nepal because of heavy snow.

South African trade union organiser Alan Fine was acquitted of furthering the interests of the African National Congress.

Moroccan tanker with 20,000 tons of crude oil aboard ran aground 35kms north of Casablanca.

BUSINESS

Wall St stocks climb strongly

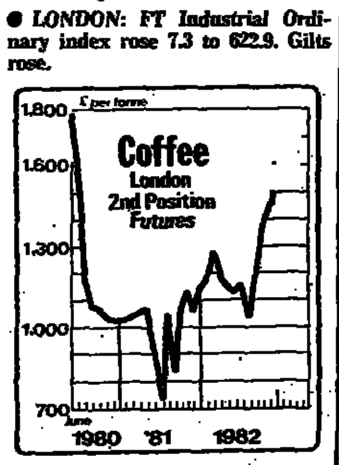
● WALL STREET stocks continued to climb in heavy trading on hopes that interest rates are coming down. Dow Jones index closed 22.81 up at 1,060.25. Page 30

● DOLLAR fell to DM 2.5825 from DM 2.594, to SwFr 2.214 from SwFr 2.236, to FFr 7.3025 (FFr 7.325) and Y271.5 (Y275.7). Its Bank of England trade-weighted index was down 0.5 at 126.2. Page 36

● STERLING rose 65 points to $1.66 and to FFr 12.12 from FFr 12.11, but fell to DM 4.29 (DM 4.2925), to SwFr 3.6775 (SwFr 3.7) and Y451 (Y456). Its trade-weighted index slipped 0.1 to 91.7. Page 36

● GOLD rose $4 in London to $410.5, but fell in Frankfurt by $9.5 to $410.25 and in Zurich by $8 to $409.5. Page 29

● LONDON: FT Industrial Ordinary index rose 7.3 to 622.9. Gilts rose.



● COFFEE future prices in London were pushed up to their highest since 1980 by a continuing shortage of supplies. Page 29

● TOKYO: Nikkei Dow index rose 24.74 to 7,576.4. Stock Exchange index went up 1.64 to 557.53. Page 30

● FRANKFURT: Commerzbank index rose 1.2 to 704. Page 30

● ITALIAN consortium GIE won a $220m contract to build a power station at Isfahan in Iran. Page 6

● WEST GERMAN manufacturing industry will cut capital spending by 7 per cent in real terms this year, according to an IFO survey. Page 2

● INDONESIA is expected to borrow twice as much next year as this because of a growing balance of payments deficit. Page 4

● IRAN has reduced foreign debts to $2bn from the 1979 level of $15bn, according to central bank governor Mohsen Nourbakhsh.

● AUSTRALIA and New Zealand have agreed to lift trade barriers to create a common market between them. Page 6

● ITT the U.S. telecommunications group, announced earnings for the third quarter up from $111.5m to $118.5m on sales of $5.2bn compared with $5.4bn. It increased its quarterly dividend to 69 cents from 67 cents.

● OCCIDENTAL Petroleum of the U.S. suffered a sharp drop in third-quarter earnings, from $140.1m to $25.1m, on sales of $4.4bn against $3.7bn.

● COMMERCIAL UNION Assurance, one of Britain's largest insurance groups, almost doubled its underwriting losses in the first nine months to £180m ($299m). Page 19; Lex, Page 18; Details, Page 24

● CANADIAN PACIFIC, the rail and shipping group, saw earnings slump further in the third quarter from C$138.3m to C$42.9m (U.S.$35m). Page 19

● SUMITOMO METAL, one of Japan's top five steel makers, has cut investment targets for the next four years. Page 20

● FRENCH Government announced plans to carve up the chemicals division of Pechiney Ugine Kuhlmann. Page 21

National Steel may sell U.S. plant to employees

BY PAUL TAYLOR IN NEW YORK

NATIONAL STEEL, the fourth largest U.S. steel company, said yesterday it had started negotiations with representatives of the 10,000 employees at its Weirton, West Virginia plant, on an employee buy-out of the huge steel mill.

If successful, the negotiations being held in New York, could lead to the creation of the biggest employee-owned company in the U.S. It would also be among the 300 largest industrial companies in the U.S. Weirton's annual sales, which are expected to reach $1.3bn this year, would make it about the eighth largest U.S. steelmaker in its own right.

National Steel, which last month reported a $94m net loss for the third quarter, first announced that it intended to sell the Weirton plant, one of its three steel-making mills in the U.S., last March.

Since then the Weirton steel workers and management have been discussing ways to rescue the plant, one of the most modern in the country with sales last year of more than $1bn.

National Steel said yesterday that the negotiators in New York, who include lawyers representing the company and the employees, together with Lazard Freres, the investment bank which is advising the workers, "hope to reach a sale agreement by December 15 and complete the sale transaction prior to March 22."

The company, which last year had total sales of $4.2bn, has not revealed its asking price for Weirton. It is assumed, however, that the plant would probably sell for considerably less than its $322m book value, particularly given the depressed state of the U.S. steel industry.

Some industry observers have suggested that the market value of Weirton may be as low as $100m. Another major obstacle to the buy-out plan could be who would take responsibility for the estimated $100m unfunded pension liability.

The negotiators also face the stumbling block of how the buy-out would be funded, since it is thought likely that the whole of the purchase prices would have to be borrowed.

The workers' purchase plan is also likely to meet resistance within the U.S. steel industry simply because of the plant's size.

Manchester Steel future still uncertain, Page 10

COPENHAGEN CABINET TO MEET AS EEC ROW WORSENS

Danes warned not to fish UK waters

BY LARRY KLINGER IN BRUSSELS

BRITAIN has told Denmark that it could face confiscation of equipment and heavy fines if its fishing vessels violate British territorial waters in the absence of an EEC Common Fisheries Policy (CFP).

The British position was made clear at a press conference in Brussels yesterday in which Mr Peter Walker, Britain's Fisheries Minister, said the UK had "practical instruments" available to it to protect its fishing rights. These were "the Royal Navy and the Royal Air Force," he said. Danish vessels could be confiscated and fines of up to £50,000 ($83,000) could be imposed, he added.

His statement followed Denmark's rejection of Community compromise proposals aimed at ending its resistance to the establishment of a Common Fisheries Policy which would share out equitably the EEC's limited fish resources.

Denmark rejected a Commission offer to increase the Danish fishing fleet's temporary catch quotas and to provide special aids to ensure mackerel supplies for Denmark's expanded canning industry.

The Danish rejection of this deal was qualified, however, and the Cabinet in Copenhagen will decide today whether to reconsider its stand.

But there was little indication either in Brussels or Copenhagen yesterday that the Danes would yield sufficiently to pave the way for a comprehensive and durable CFP.

Denmark still maintains that the treaty governing its accession to the EEC in 1973 clearly states that access to all Community waters is open to all Community fishermen from the beginning of next year, unless new arrangements are agreed by all 10 EEC member states.

This position was also held by France until its agreement with Britain earlier this year on a division of rights within UK waters.

Danish demands then emerged as the single most important obstacle to establishing a CFP.

The temporary fishing arrangements agreed a decade ago when the UK, Denmark and Ireland joined the EEC expire at the end of the year.

Mr Henning Grove, the Danish Fisheries Minister, held out little hope for any change in his Government's position after today's Cabinet meeting.

"When asked by all the other countries and the Commission, you have to agree to reconsider," he told a press conference. "But I have already told the council that they have very little chance of an agreement because the offer is simply not acceptable for Danish fisheries."

In Copenhagen, Mr Laurids Ternos, chairman of the Danish

Continued on Page 18

Cheap butter sale to go ahead, Page 18

Howe may aim for £2bn tax cuts in budget

BY MAX WILKINSON IN LONDON

THE UK Treasury is aiming for a "give-away" of about £2bn ($3.32bn) in the country's annual budget next spring, it emerged yesterday – double the amount suggested on Monday by Sir Geoffrey Howe, Chancellor of the Exchequer.

This would be equivalent to a 2 per cent cut in the 30 per cent basic rate of income tax.

Although Treasury officials are privately hoping that the amount available for tax cuts will prove to be greater than suggested by the estimates published on Monday in Sir Geoffrey's autumn financial statement, there is no indication that larger bonanza is in prospect in advance of the next general election.

On present calculation it is thought that tax reductions of as much as £3bn would be possible, out only if everything went the Government's way.

The Chancellor has indicated privately that he regards his autumn statement as cautious. Strong indications exist, however, that he does not plan to deviate much from the tight financial strategy laid down at the time of the last budget.

One significant pointer was the assumption made in Monday's statement that next year's public borrowing target would be cut to £8bn from the £8.5bn projected in March. This change was made after considerable debate in the Treasury because the Chancellor wanted the borrowing target to be maintained at 2¾ per cent of national output.

Since prospects for output have deteriorated, he believes the assumption for public borrowing should be cut accordingly.

This was a stricter interpretation of the Conservative Government's medium-term financial strategy than Sir Geoffrey needed to make. He could therefore find an extra £500m without deviating at all from the strategy. If, as seems possible, government revenues prove a little more buoyant than expected, the Chancellor could find he has about £2bn in hand.

In addition technical calculations of the "economic feedback" of budget measures could provide an extra 20 per cent of "give away" compared with the amount which it appears is available on present forecasts.

These considerations all point strongly to a figure of £2bn as the Treasury's private estimate of what may be available in addition to the £1bn cost of a cut in employers' payroll surcharge for unemployment benefit and other changes announced on Monday.

Officials emphasise, however, that all estimates made at this stage have to be tentative.

Peter Riddell, Political Editor, adds: The Government at present plans to recoup only part of the "over-provision" in its increase in state pensions which resulted from a faster than expected slowdown in the inflation rate.

Amid a parliamentary row over the proposed clawback, ministers were pointing to an ambiguous phrase in Monday's statement. This referred only to making "an adjustment to next year's uprating."

It was being authoritatively suggested at Westminster last night that the new public spending plans assumed the clawback of probably only 1 to 1½ percentage points of the likely excess amounting to between 2½ and three points. This extra amount is the gap between the actual rise in prices in the last 12 months and the rise assumed when the operating was fixed last March.

'Lip service' budget, Page 13

Rome raises interest rates to finance deficit and support lira

BY RUPERT CORNWELL IN ROME

THE ITALIAN Treasury Ministry yesterday sharply increased key domestic interest rates in an attempt to ensure that the country can finance its runaway public sector deficit and to shore up the struggling lira.

The move, which comes when interest rates throughout the rest of the industrialised world are falling steadily, will further dent hopes of economic recovery in 1983, after likely growth of barely 1 per cent this year.

The L3,250bn ($2.2bn) of three-month, six-month and 12-month Treasury bills to be auctioned in mid-November have been priced to yield between 18.26 and 18.62 per cent, implying increases of 1.3 and 1 per cent respectively for the key three-month and six-month maturities.

The decision by the Treasury Ministry came a fortnight after the Government's failure to place some L4,000bn of an offering of L21,500bn.

Although that embarrassing incident reflected above all the authorities' inability to read public expectations of interest rates, it raised the uncomfortable prospect that the Government might find it even harder to finance its borrowing requirement, likely to reach L70,000bn ($47.1bn) or 15 per cent of gross domestic product this year.

The authorities have also been increasingly worried at the continued weakness of the lira, especially against the dollar. Yesterday the dollar reached a new all-time high of L1,485.5.

Spadolini's troubles deepen, Page 3

Warning on cable TV profits

BY GUY DE JONQUIERES IN LONDON

MULTI-CHANNEL cable television faces an uncertain commercial future in Western Europe and will be unlikely to produce worthwhile profits before the 1990s, a market research study has concluded.

Though its authors believe that the expansion of cable TV in Europe is inevitable in the long term, they warn: "The economics of cable are fragile, the risks speculative, the demand unproven and the effects uncertain."

The study, whose main findings were published yesterday, was carried out by two London consultancies, CIT Research, and Communications Studies and Planning. Based on research in five countries – the UK, France, West Germany, Belgium, and the Netherlands – it is the first attempt to assess the market for cable in Europe.

It says that by 1992 as many as 27 per cent of Europe's 125m households may take cable services – about the same proportion as in the U.S. now – generating subscription revenues of $4.7bn annually. But penetration could be as low as 16 per cent and revenues about $2.6bn.

Much will depend on the extent of government regulation, the rules on network ownership, the availability of high quality programmes at reasonable cost, the amount of advertising which cable attracts and how energetically cable operators market their services.

But Mr Patrick Whitten, one of the authors, warned yesterday that even in the most promising conditions, "anybody looking for a quick return from cable will be disappointed during the next 10 years."

Cable penetration will vary widely between European countries, the study predicts. It believes that cable will develop fastest in Britain, the Benelux countries, Switzerland, Austria and parts of Scandinavia, which are already the most heavily cabled regions of Europe.

It believes the new medium will grow only slowly in Italy, where many cities are currently served by private broadcasting stations offering a wide choice of programmes.

The research for the study was, however, conducted before publication of the Hunt Report in Britain and the recent decisions by the French and German governments to invest heavily in the construction of sophisticated cable systems.

The study found that 27 per cent of people in Britain, for example would be prepared to pay up to $8.50 a month for extra programme channels but only 6 per cent would be ready to pay more than that. It doubts whether the subscription revenues generated on this basis would enable system operators to originate quality programmes which would attract a sizeable audience.

The authors warned, however, against giving too much significance to the UK poll results, since those questioned had no idea of the choice of extra programmes which cable might offer.

Picture remains unclear, Page 9
Messages along mains wiring, Page 12

New home for Disney in land of the wry sing-song

By Jurek Martin in Tokyo

JAPAN is better known for what it sells overseas than for what it imports, yet it has a long tradition of borrowing from the West. What is not clear, however, is whether Japan is emotionally ready for the invasion, beginning on April 15 next year, of Mickey Mouse, Donald Duck, Cinderella and Goofy.

In short, next spring, Disneyland is coming to Tokyo.

It will be the third major Disney "theme park" and the first outside the U.S. Located on a 200-acre landfill about half an hour from the centre of the Japanese capital, Tokyo Disneyland will be similar in size and appearance to its cousins in southern California and Florida. Its goal is to attract 10m visitors and, given the Japanese proclivity for flocking lemming-like to anything new, it may be that only terminal traffic jams will prevent the target from being exceeded.

But, being in Japan, this is Disney with a bit of a difference. The park will be "bilingual," which has its own incongruities: animated bears singing country and western songs partly in Japanese is an art form that some may find a little recherché.

Additionally, Disney has decreed that the so-called "face" personalities (Cinderella and Snow White, for example) shall be portrayed by Occidentals

Equally intriguing is the nature of the deal that has brought Walt Disney Productions to Tokyo, in this Y150bn ($550m) project. Disney has, in fact, not put up a single cent of its own (though clearly its name and expertise carries a hefty price). Capital for the joint venture has been provided by the Oriental Land Company, itself owned by Keisei Electric Railway Company and Mitsui Real Estate.

Yet Disney's return could be impressive – and risk-free. It is guaranteed 10 per cent of the gross admission revenues and a further 5 per cent of the sales of food and drinks. It does have a complex option to take a limited capital position in the project in the future, but, according to Mr Frank P. Stanek, a Disney vice-president, is probably in no hurry to do so. If, indeed, the park attracts 10m visitors, paying between about $9 and $14 each to get in, and spending probably as much again on refreshments, then Mickey Mouse, Donald Duck and company will again be earning their keep

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EUROPEAN NEWS

IFO SURVEY OF CAPITAL OUTLAY PLANS

Spending by W. German industry 'will fall 7%'

BY STEWART FLEMING IN FRANKFURT

CAPITAL SPENDING by manufacturing industry in West Germany will slump by 7 per cent in real terms this year, after a similar rate of decline in 1981. In 1983 the slide in capital outlays over the past two years should come to a halt, but in real terms expenditure will stagnate.

These are the broad conclusions from the latest survey of *industry's capital spending* plans produced by the IFO economics institute following responses from over 3,000 companies which together account *for over half industrial spending* on buildings and equipment.

The analysis confirms expectations that industrial investment is unlikely to provide a major stimulus to the German economy next year. Moreover the IFO survey suggests that well over half of capital spending will be directed towards the rationalisation and modernisation of capacity.

The IFO says that capacity use has shrunk to 74 per cent currently, and now lies below the level recorded during West Germany's deepest post-war recession in 1975. This, the institute says, helps explain why companies in general are not interested in expanding capacity.

The results of the survey taken in August and September *show that this year investment* spending has been cut slightly from levels anticipated in its survey at the beginning of the year. Much of the decline this year is due to cuts in capital outlays in the consumer goods *sector of 5-10 per cent in paper* manufacturing and clothing and up to 20 per cent wood processing.

Expenditure in the invest*ment goods sector in 1982* stagnated in nominal terms and would have declined more *sharply in real terms* were it *not for the rise of 10 per cent* in the automobile industry where a major restructuring programme is under way. Capital *spending in chemicals* and steel are down around 10 per cent in money terms this year, IFO estimates.

The IFO says that compared with a year ago *the survey* shows a greater inclination to invest by industrial companies, but when this trend is quantified it shows a nominal increase *in spending of only about 3 per cent — in real terms a stagnation* in capital spending at the 1982 level.

In investment goods sectors such as cars, shipbuilding, engineering and electrical engineering increases of between 5 and 10 *per cent in* capital expenditures are expected.

In consumer goods sectors the IFO sees an end to the two-*year decline in capital outlays.* In the raw material and production goods it anticipates a decline of around 4 per cent in capital spending in money terms.

One area in which the IFO sees improvement is the construction sector which has been suffering from a two-year recession because *of* public spending cuts, a 30 per cent cut in industry's building outlays *in 1981* and the impact *of high* interest rates on the housing sector.

The IFO points out that since the beginning of the year there *has been* an upturn in building orders and a marked upswing in house construction is expected partly as a result of Government measures to help *the sector.*

EEC members cool on Pisani proposals to double foreign aid

BY LARRY KLINGER IN BRUSSELS

EUROPEAN COMMISSION hopes that the EEC member states would make a renewed public commit*ment on overseas aid at their sum*mit meeting next month have dimmed.

This follows the cool reception given to the commission's latest proposals for a new aid strategy by the Community's Council of Development Ministers.

The ministers, meeting in Brus*sels to give a first reading to Devel*opment Commissioner Edgard Pisani's proposals that EEC aid should be doubled over the next 10 years, gave a cautious welcome to his suggestions that future aid should be aimed primarily at obtaining food self-sufficiency in the poorest countries through programmes jointly administered by the EEC and the developing nations.

*But it was apparent that the ma*jority of the member-states were reluctant to commit themselves on trying to define any new policy in detail, especially on finance.

West Germany, whose new Centre-Right Government suggested only this weekend that it might feel forced to curtail its aid programme for economy reasons, led the critics of M Pisani's proposals as being too vague.

The specific issue of increased aid spending is not due to be taken up in detail until the EEC's Council of Foreign Ministers meets in two weeks' time. "Nevertheless, it was abundantly clear that the member-states do not want to spend any more money," said one EEC official.

The Commission is proposing that the member-states double its legal aid allocation over the next three years to 0.1 per cent of the EEC's collective gross national product.

West Germany, supported by Britain and the Netherlands, argued that the Community should proceed slowly. *The EEC's current* Lomé trade and aid arrangements with the 63 African, Caribbean and Pacific countries in any case had to be renegotiated next year. The Community would also have to co-ordinate its future policy with other world bodies

Warsaw threatens strikers with force

By Christopher Bobinski in Warsaw

THE POLISH authorities have made it clear they will not flinch from using force *to prevent an eight-hour* general strike and demonstrations called for today by the underground leadership of the now-dissolved Solidarity union.

"We are determined to maintain security, *let there be no misunderstanding about* that, Mr Jerzy Urban, the Government's press spokesman, said yesterday.

Since martial law came in 11 months ago, there have been 15 people officially admitted killed in protests in Poland. The implication of *government statements* released since Monday evening is that there could be more if the situation today warrants the use of firearms. *The authorities have said,* however, that Martial law could be lifted by the end of the year if the country stays calm.

Meanwhile, shop - floor workers *have been* warned that they could lose their jobs if they strike. Managers *have been made responsible for the behaviour of work* crews.

Solidarity, *for its part,* has relied on leaflets to drum up support for the stoppage which is the first of a series of protests leading up to a general strike in the *spring.* By official accounts, these leaflets have appeared in most major towns and factories in recent weeks.

Solidarity's Warsaw leadership has called for workers to leave their factories after the stoppage and demonstrate in the centre of the city.

● Preliminary results published by the Polish Government's Central Statistical Office show a 5 per cent rise in industrial production in October compared to the same month last year.

*This is the third consecu*tive rise in production, officials believe this three-month rise shows that the economy has begun to recover.

Over the first 10 months of this year, however, industrial production fell by 4 per cent compared to the same period in 1981 and by 16 per cent compared to *1979.*

EUROPEAN NEWS

Poland makes first repayment on 1982 debt interest

FRANKFURT – Poland has made its first interest payments for 1982, covering the first two months of the year, slightly ahead of schedule, according to banking officials here.

Under terms of the rescheduling agreement signed in Vienna last week, interest for the first four months of 1982 was due to be paid on November 19. The balance on the $1.1bn of interest due in 1982 is supposed to be paid on December 20 and March 20, the officials said.

They declined to say how much interest was paid, but noted that half of the payment would be made available to Poland in the form of a trade credit within a week of its arrival in Western banks.

The payments were made in the first few days after the signing of the 1982 rescheduling accord on November 3, as representatives of Bank Handlowy, the Polish foreign trade bank, made a round of visits to Western banks. The meetings were preliminary to negotiations for rescheduling the debts maturing next year.

The sources said talks on rescheduling 1983 maturities are not expected to begin before February, after a visit to Poland of the international economic committee set up by Western banks, now set for January. The committee will review Poland's economic situation. It is also responsible for controlling the use of the funds made available in the form of trade credits. *Reuter*

East Berlin pledges more aid to Angola

BY LESLIE COLITT IN BERLIN

EAST GERMANY has pledged intensified military aid to the Marxist Government of Angola during a visit to East Germany by the Angolan Defence Minister, Colonel Pedro Maria Tonha. The Soviet Union has assigned East Germany an important role in military assistance programmes to Third World countries.

East Germany is estimated to have some 2,500 military and security advisers attached to the Angolan army and security forces. However, East Berlin acknowledges only that several "brigades" of Free German Youth specialists are involved in technical assistance programmes in Angola.

The East German President and Communist leader, Herr Erich Honecker, yesterday told the Angolan Defence Minister that co-operation between the two armies would be "intensified." They discussed South African military activities against Angola's southern provinces.

Col Tonha headed an Angolan military delegation, which visited an East German air defence missile unit, training camps for missile and engineer troops, as well as a naval training station. The East German news agency said the Angolans were especially interested in navigational trainers as well as electronic guidance systems.

New EEC bid to agree on strategy for coal

BY JOHN WYLES IN BRUSSELS

EEC Energy Ministers yesterday launched a fresh attempt to develop a Community coal strategy aimed at balancing the production and investment needs of the UK and West Germany – the EEC's main coal producers – against the interests of consuming countries.

Following a strong lobbying effort over the past few months by London and Bonn, the ministers yesterday issued a firm declaration that the "political will" existed within the Community to promote the role of solid fuels in satisfying its energy requirements.

For the first time for many years, the Energy Council will now devote a single session to a thorough examination of how to promote coal production and consumption. This meeting, which will probably take place next month, will attempt to agree on a more detailed approach for increasing the use of coal in energy consumption.

Previous efforts over the last five years have stalled largely because of rows between the producing and consuming member states over how much money should be spent on production aids.

Ministers also expressed yesterday their satisfaction with the European Commission's conclusions that the Community is unlikely to be dangerously dependent on imports of natural gas from the Soviet Union or any other third country supplier. A Commission study has demonstrated that the Community could cope with a 25 per cent cut in gas supplies for up to six months in 1990 without any serious difficulty. EEC Governments are anxious that this message should be driven home in the U.S.

Rupert Cornwell in Rome assesses Prime Minister Spadolini's thorny task of reconciliation

Squabbles threaten Italy's two-month coalition

IT IS hard not to feel sorry for Sig Giovanni Spadolini. Italian Prime Ministers, constantly beset by bickering at home, deserve perhaps more than heads of government from any other country the respite afforded by a journey abroad.

Yet last week, as Sig Spadolini was discussing the state of the world with President Ronald Reagan in the White House, and receiving a doctorate Honoris Causa at California's Berkeley University, he was forced to keep at least one eye fastened on the deepening mess left behind in Rome.

The troubles of his "new" government, born barely two months ago after Italy's first ever August government crisis, reached a strident crescendo in the shape of an exchange of public abuse between two senior ministers, of a virulence which even hardened observers of the country's political rough-and-tumble are hard put to remember the equal.

Shortly after being fêted by New York's Italo-American community (including Mr Mario Cuomo, the new State Governor), the Prime Minister was obliged to call an emergency meeting of parliamentary leaders of the five squabbling coalition parties immediately upon his return on Monday, to try and mend the damage.

This, however, proved unsuccessful. His choice seemed to lie between securing agreement to replace arch enemies Sig Nino Andreatta, the Christian Democrat Treasury Minister and Sig Rino Firmica, the Socialist Finance Minister, or resigning himself. This would automatically provoke Italy's forty-third post-war government crisis.

This time, the grace period normally available to an incoming government hardly existed. One reason was that the five-party administration was not "new" at all, but identical to its quarrelsome predecessor. Another is that elections are on the horizon. In most people's view they will take place next spring. But many regret August's decision not to hold them straight away.

... is constantly pointed out, elections in Italy rarely solve anything and opinion polls suggest that the basic rapport de force between Christian Democrats, Socialists and Communists would not be greatly changed. At least, however, one increasingly hears, to have had an autumn election would have meant that new ones could not decently have been held for three years or so, allowing the politicians to concentrate more coolly on economic problems to hand.

Instead, confusion reigns. Parties are divided, and the various scenarios being hawked around betray the impatience of the politicians with the present status quo and their inability to agree on any other formula for running the country. In the meantime many detect a desire on the part of the Prime Minister, whose public stock until lately has been high, to cut his own losses and make a suitable stand on which to quit.

There are signs that the appeal of Sig Spadolini, Republican party leader and Italy's first non-Christian Democrat premier since 1945, is starting to suffer from the failure of his promises, exhortations and general ubiquity to halt the steady deterioration of Italy's economy. What point, it is argued, is served by using up his own and his party's enhanced credibility in trying vainly to mediate between feuding Christian Democrats and Socialists?

There is a temptation to say the hubbub does not really matter. Italian governments, after all, have a life expectancy of less than a year: and might not the insults traded, be put down merely to the high spirits and high tempers of two incompatible personalities?

Sig Spadolini . . . no respite

The row this time, however, does matter. The differences surround two crucial economic issues, which on paper should be settled within the next few weeks. One is the 1983 finance bill, essential if Italy's runaway public sector deficit is to be brought under control; the other is the fate of the tortuous negotiations between employers and unions on reducing labour costs and deciding new three-year wage contracts for 10m workers.

Both problems reflect the country's extraordinary, but increasingly unsustainable, ability to live beyond its means. The figures show that even Italy is now in the grip of the world recession, but one would not so judge from the wealth on display and the consumption in the shops.

The secret lies in the extent to which nominal wage increases, underpinned by automatic indexation, outstrip the inflation rate (down to 17 per cent a year), and how a public sector deficit, equal to 15 per cent of gross domestic product, allows competing claims on a diminishing national cake to be met.

As the present arguments show, those claims are championed by separate parties identified with the respective segments of the electorate.

Should automatic cash registers be made obligatory in shops, to attack at least one source of tax evasion? The Christian Democrats subtly put obstacles in the plan's way.

Are cuts in Italy's bloated pensions system an answer? The Social Democrats, anxious to tap the pensioners' vote, will not consider it.

Sig Spadolini has promised a government initiative to lower labour costs if, by November 30, the unions and employers cannot agree changes in the scala mobile system of indexation. But the Socialists, in part still a left-wing party, and with shopfloor interests to defend, have intimated their opposition.

With friends like this, Sig Spadolini might wonder, who needs enemies? But the Communists, his official parliamentary foes, are pledged to step up their own opposition to the Government, especially if it intervenes against its working-class constituency, in the scala mobile debate. Given the wayward parliamentary discipline of the five-party majority, such a threat is not to be taken lightly.

It would be rash to discount the Italians' remarkable gift of compromise when the country appears to teeter on the brink. Maybe the Finance Bill will go through parliament as scheduled; and a combination of world economic recovery and a surge of co-operation between employers and unions will yet again save the day.

As not infrequently in Italy, the situation looks critical, and without a possible solution to hand. But, to reverse the old cliché, this time it seems genuinely serious as well.

ILO invited to inspect pipeline

By David Buchan

THE Soviet Union has invited the International Labour Organisation (ILO) to inspect living and working conditions on the trans-Siberian gas pipeline, following allegations in the West that it has been using "slave labour" on the massive project.

The invitation was extended by Mr Vassily Prokhorov, vice-president of the Soviet trade union council, the ILO announced yesterday in Geneva. No date has yet been set for the inspection visit by the three-man ILO team.

The Reagan Administration, which has been striving on strategic grounds to prevent West European companies from supplying equipment for the pipeline, has claimed that "evidence has been mounting" about the Soviet use of forced labour on the pipeline.

A Central Intelligence Agency report this month said that "while large-scale use of forced labourers on the pipeline is unlikely because many of the jobs require special skills, some forced labour will probably be used unless the Soviets depart from their usual practice, because of the exposure the issue has received in the Western media."

The agency claimed that 4m Soviet citizens—1.5 per cent of the population—were currently serving sentences of forced labour.

The Soviet Union has strenuously denied the allegations about its pipeline labour force as well as the additional charge that this labour force includes Vietnamese working for low wages to discharge their country's economic obligations to Moscow.

But it has now been stung into inviting the ILO in, a move which officials in Geneva described as "fantastic," in view of past Soviet resistance to international checks on its labour practices.

The initiative for the inspection visit originally came from Mr Francis Blanchard, director-general of the ILO, who has been trying to give the United Nations body a more active role.

Odd French alliance, Page 6

Madrid Conference resumes on note of deadlock

BY TOM BURNS IN MADRID

THE 35-nation Madrid conference on security and co-operation in Europe resumed sessions yesterday on a characteristic note of deadlock.

The Polish delegation demanded non-interference in its internal affairs and the West tabled new proposals for a concluding document directly linked to the Polish crisis.

The Madrid meeting, a follow-up conference to the 1975 Helsinki East-West sessions, is technically reviewing the implementation of the Helsinki Final Act and examining an improved framework for détente.

In a keynote address to the opening plenary session, the Danish delegation, speaking on behalf of the European Community, noted that during the recess period "the negative trends in the international situation have not been reversed.

"General East-West relations remain at a low ebb characterised by mutual distrust and lack of confidence."

The Danish delegation specifically cited martial law in Poland, continuing political detentions, and the dissolution of Solidarity as a trade union as contrary to the "letter and spirit of the (Helsinki) Final Act."

In response, the Polish delegation accused the Western nations "and in particular the U.S." of taking advantage of the Polish crisis "to increase international tension and to complicate the already tense and complex East-West relations."

The Polish delegation told the plenary session that the U.S. suspension of the most-favoured nation clause among other actions ran "counter to the entire process intitiated at Helsinki."

David Lennon and **Nora Boustany** examine renewed contacts between Druze communities after 34 years' separation

'If you are not a Jew, you have no place in Israel'

THE COURTS martial of several Israeli Druze soldiers who left their units to try to help defend Lebanese Druze villages under attack from the Phalangist forces has sharpened the identity crisis felt by the Druze Arab community in Israel.

The Druze are followers of a religious sect which split from Islam in the 11th century. Most of them live in Lebanon and Syria, but there are about 40,000 living in Israel.

Unlike the other 600,000 arabs living in Israel, not including the occupied territories, the Druze are subject to compulsory military service like Israel's Jewish citizens.

It is this army service which has become the focal point of the discontent of the Israeli Druze in recent years. "The Government is quite happy for *me to fight and die for the* country," explains Yussuf, an officer in the Israeli army who prefers not to give his real name. "But after army service I am treated as a second class citizen, just like the rest of the Arabs here."

Yussuf, who has been wounded twice in action, is currently unemployed and seriously considering emigration. "That's what they want, the Government, they want us to leave," he says bitterly.

At Beit Jann, a village of 7,000 inhabitants only five miles from the Lebanese border, another Druze explained that he has refused to do any more army service because the Israeli army is fighting the Arabs, "and I don't want to fight my people."

The Druze Initiative Committee opposes army service for the Druze *because its supporters* feel that serving the state in this way has brought the Druze no benefits.

Mr Said, a law student at Tel Aviv university said: "The Government doesn't give me the *feeling that I am an Israeli.* Israel took away the land of the Druze for Jewish settlements, and discriminates against Druze villages in the financial assistance which it gives their local councils."

Beit Jann receives only one tenth of the annual Government *financial allocation given to the* nearby Jewish village of Ma'alot, which has the same size population, he claims. A similar situation prevails in all the Arab villages and towns in Israel.

"There is a lot of agitation in the West to force Russia to release that fellow Shcharansky" chips in Yussuf. "But what will happen if he is let out? He will come here and take over our land. My family has lived here for more than ten generations. I have fought in the army to defend Israel, but when he arrives, Shcharansky will have more rights here than I do."

It is these domestic issues such as land, jobs, housing and a general feeling of discrimination which preoccupy the Druze of Israel, rather than the battles which their co-religionists in Lebanon are currently enduring.

The Druze in Israel believe that the Druze in Lebanon can take care of themselves. *Because of this,* Israeli Druze who have been involved in training Phalangists in the past felt no contradictions about their action, despite the historical tensions between the Christians and Druze in Lebanon.

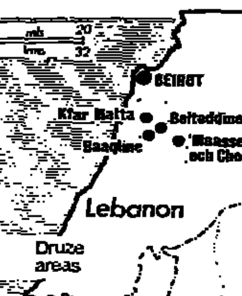
But when the Phalangists began attacking the Druze villages in Lebanon, the Israeli Druze soldiers were very upset. Their main complaint was that the Israeli Army had taken the weapons away from the Lebanese Druze, while continuing to arm the Phalangists.

'We are Lebanese . . . we are not giving that up'

SINCE THE Israelis invaded Lebanon young Druze men have streamed across the *borders and married from* Lebanese Druze families. The Mayor of Habaya, in southern Lebanon, Mr Bahjat Shams said: "As soon as *borders opened, hundreds of* Israeli Druze flooded into Lebanon thirsty to meet others of their own sect, to get to know them and *intermarry with them.*"

A housewife in Baaqline said that since the death of her mother-in-law, Druze delegations had arrived weekly to offer their condolences to the family. "A lot of families in Baaqline have thrown huge parties for their guests from Israel during the summer," she said.

The Lebanese Druze are not as eager to reciprocate the visits, however. They find that the Druze who stayed in Israel remain backward and set in their old ways." They seem to be living in a very tightly knit, introverted com-



munity unexposed to what is going on around them." Lebanese Druze observe.

Mr Walid Jumblat, the Druze leader, says: "We are Lebanese and we have had an historic role in the creation of Lebanon. We are not going to *give* that up."

The two-edged stand by the Israelis on the Druze-Christian conflict has bred caution among the Druze. While the Israelis have allowed their allies, the Christian militia, to fan out unchecked in the Lebanese mountains, they have also approached the *Druze community with offers* of help against the militias.

Mr Khaled Jumblat, former Economy Minister, and a cousin of Mr Walid Jumblat said: "Israeli officials have offered — in writing — to create Druze militias under Israeli sponsorship like those of Major Saad Haddad, to stand up against the Lebanese force."

The proposal had been made following the death of President-elect Bachir Gemayel last September, but was categorically rejected by *Druze leaders who have also* turned down proposals by the Israelis for a Druze state in Lebanon, now known as the "Druze door policy."

In Hasbaya, the Israeli army has given automatic weapons and Israeli army uniforms without insigna to Druze patrols.

According to Israel Radio, the Israeli army is helping set up a Druze "National Guard" though Druzes have been forbidden by the Israeli commander there, a Druze, to take the arms outside Hasbaya.

This is clearly seen here as incitement to the Druze to *rebel. A prominent Druze,* who chose not to be identified, said Israeli Druze officers came to his home and asked him if the Phalangists were "bothering him." They then gave him a licence in Hebrew, which allows him to carry any kind of weapon in areas under Israeli control.

The Israelis cleverly courted the Druze early on during *their invasion of south Leb*anon, sending Israeli Druze brigades to discourage resistance. In some villages, the Israeli soldiers found long-lost relatives. *There are an* estimated 50,000 Druze in Israel, who have been cut off *from their co-religionists in* Syria and Lebanon, where they number about 300,000, since 1948.

This week Mr Amin Gemayel, the Lebanese president called for an urgent *meeting of Druze and* Christian leaders to try to stop the latest fighting in the the Chouf hills east of Beirut from spreading. Over a dozen people have died this week.

Mr Jumblat said that the *friction in the mountains had* slipped into a chain of "reactions and counter - reactions." *He conceded that* the situation on the ground was beyond the control of well-intentioned leaders and warned that Israel was using the friction as a "point of pressure against President Gemayel."

Security officials said Israeli troops had prevented internal security forces from heading towards the area of the battles to put an end to the fighting. Mr Jumblat has urged the Government to disarm the Christian militias, *to deploy the army and re*store its authority in the region.

There is rising suspicion here that Israeli troops *passively allow armed conflicts* to take place before they *decide to move in* and separate the warring sides. Demilitarising the volatile Chouf and the withdrawal of Israeli forces from it are *seen as the only solution to* the problem.

THE Government of Prime Minister Chafik al Wazzan was *granted special powers by Par*liament yesterday in a bid to give the cabinet a strong hand to rule by decree and ensure a rapid recovery from the ruin *and destruction Lebanon has* suffered, Nora Boustany reports. Talks on the removal of foreign troops from the country are expected to start today.

Iran guards to have separate ministry

By Our Foreign Staff

THE GROWING power in Iran of the revolutionary guards who fight alongside the regular army was emphasised yesterday when the Iranian parliament passed a Bill calling for a ministry for the guards *separate from* defence.

Relations between the regular forces and the revolutionary guards have often been tense but the defence ministry has been in overall command of all *military forces.* Though many of the guards have received less than three months' training they have played a significant role in Iranian victories this year.

The regime in Tehran is also wary of *the long-term loyalty* of the officer corps though it has been repeatedly purged since the fall of the Shah.

Most of the Iranian armour *and artillery is under regular* army command although several brigades of the revolutionary guards are equipped with captured Iraqi tanks.

West Bank plan

ISRAEL has drawn up a 10-year plan for developing tourism to the occupied West Bank which completely ignores the 725,000 Palestinians living there, David Lennon writes from Tel Aviv. The development will be based solely on Jewish settlements and is the latest example of Israel's drive to strengthen its hold over the territory.

Indonesia to double foreign borrowing

BY RICHARD COWPER IN JAKARTA

A GROWING balance of payments deficit is expected to double Indonesia's public *sector foreign commercial loan* requirement next year, according to a senior banker.

The Government may be forced to seek foreign commer*cial loans of nearly $2bn in* 1983 — up from about $1bn this year. Including new concessional and semi-concessional loans, this is likely to push *Indonesia's medium and long*-term public external disbursed and outstanding debt from about $17bn to over $20bn by the end of 1983.

In its biannual report on the Indonesian economy published yesterday the U.S. embassy in Jakarta forecast a current account deficit of $7.5bn for 1982-83 — three times the *$2.4bn deficit recorded in 1981-*1982.

Debt service payments are expected to increase from $2bn in 1981 to more than $2.8bn in 1983 — *within acceptable* limits.

On Monday, Dr J. Ismael, managing director of Indonesia's central bank, underlined *the poor short-term economic* outlook for Indonesia's economy. He said falling export earnings from oil and other major commodities had already *forced a significant increase in* the country's borrowing requirements.

The Indonesian Government borrowed $960m from commercial banks in the eight months *since April this year, he said,* and were expected to borrow heavily next year.

This represents a 15 per cent increase over last year's public sector overseas commercial borrowing of $833m, and bankers do not rule out further loans.

"Our medium- and long-term external debt of $16.5bn was equivalent to less than 20 per cent of GDP, and approximately three-quarters of our gross export earnings in 1981," he said. At the end of fiscal *1981-82, Indonesia's debt service* ratio (measured against gross export earnings) was 14.9 per cent. This ratio was well within prudent limits, he said.

Most foreign bankers and economists in Indonesia would concur with Dr Ismael's view. The country's foreign exchange reserves are still substantial. Official government reserves are $4.3bn and the state banking sector has net foreign assets of about $2bn.

For some time Indonesia has been able to secure good terms on its foreign commercial borrowing. The most recent syndicated loan of $250m, managed by Chase Manhattan, commanded a rate of just ⅜ over Libor — better terms than obtained by France on its recent $4bn jumbo loan.

Afghan fire claims more than 1,000

ISLAMABAD — More than 1,000 Soviet troops and Afghan civilians died when a fuel tanker caught fire and exploded after a collision in a road *tunnel* north of Kabul, it was reported yesterday.

Most of the victims died of asphyxiation in the 1.7-mile-long Salang Pass tunnel in the Hindu Kush Mountains.

There was no official confirmation, but *reports from* Kabul said 700 Soviet soldiers were killed and 200 others injured. Estimates of Afghan civilian casualties ranged from 400 to over 2,000.

The accident occurred last week when the lead vehicle of a Soviet troop convoy collided head-on with a fuel tanker, *according to guerrillas in the* Pakistan border town of Peshawar. Some 30 vehicles, including transport buses and trucks, were destroyed, they said.

Mohammad Yaqub Sharafat, a spokesman for the fundamentalist Herb-é-Islami guerrilla group, said at least *three military vehicles* containing Soviet personnel were destroyed. He said 450 Soviet soldiers were confirmed dead and that the toll was expected to rise.

Most of the deaths appear to have been caused by inhalation of exhaust fumes in the poorly-ventilated tunnel. Drivers kept their vehicles' engines running to avoid death by freezing.

Western diplomats said Soviet troops blocked both entrances to the tunnel in the apparent belief that rebels had mounted an attack inside. There were also reports of fighting between Soviet troops and people trapped in the tunnel, during which non-lethal gas was said to have been used.

Four days after the disaster Soviet dead were still being airlifted to Kabul. Afghan dead and injured were being taken to Jalalabad in Nangarhar province, *40 miles* west of the Pakistan border.

Diplomats described Kabul as a "city of mourning." and said the Government still has *not officially acknowledged the* disaster. AP

Faction leaders' bluff called, says Watanabe

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

ANTI-MAINSTREAM leaders in Japan's ruling Liberal Democratic Party who forced Prime Minister Zenko Suzuki to step down last month by confronting him with the need to fight a contested election for the leadership have had their bluff called, according to Mr Michio Watanabe, Japanese Finance Minister.

Mr Watanabe told foreign correspondents yesterday that he had expected Mr Suzuki's "surprise" announcement that he was thinking of withdrawing for some months. The main evidence for it was the prime ministers' repeated failure to *appear at gathering for LDP* members whose support he would need if he had to run in an election.

Mr Suzuki's opponents apparently also grasped that the Prime Minister might not be *prepared to put up a fight and* accordingly went out of their way to activate the complicated rules which dictate the holding of a two-stage contested election *for the leadership (instead of* the more "gentlemanly" behind the scenes procedures that are traditional in the party).

The rules require at least four candidates to present themselves for the leadership and stipulate that each must be sponsored by 50 members of the parliamentary party.

To secure 50 sponsors for three candidates to run against Mr Suzuki, the "anti-mainstream" factions in the party had to go through a complicated "swapping operation" on the eve of nomination day so as to ensure that candidates from weaker factions are desperately trying to recover members they "swapped" to smaller factions, but are finding it difficult, Mr Watanabe claimed.

Examples of factional swaps quoted by the Finance Minister included the "loan" by the faction headed by former Prime *Minister Takeo Fukuda of Mr* Fukuda's younger brother (a member of the Upper House of the Diet) to vote for Mr *Ichiro Nakagawa*, a far-right lower house member whose own faction support was extremely weak.

Mr Watanabe . . . expected Mr Suzuki's "surprise" announcement

Mr Watanabe claimed that no faction leader in his right mind would "lend" his brother to vote for the leader of another faction if he seriously expected an election to take place. On this basis the Finance Minister speculated that the factions opposing Mr Suzuki activated the election procedure only to get Mr Suzuki out of the way. After that the plan was to return to traditional procedure of selecting a leader by bargaining.

Mr Watanabe, although nominally not a member of any LDP faction is hardly an unbiased observer of events within the party. He is known to be very close to Mr Yasuhiro Nakasone, the candidate of the "mainstream" *party factions* who will almost certainly emerge as party leader (and therefore as Japan's next Prime Minister) when the election procedure reaches *its climax in late* November.

S. Africa's car industry in decline

By J. D. F. Jones in Johannesburg

THE RECESSION in South Africa's motor industry continues to deepen. The Sigma *Motor Corporation,* 75 per cent owned by Anglo-American and 25-per cent by Chrysler is to make another 400 workers redundant at its plant near *Pretoria.*

This brings total redundancies at Sigma to about 1,000 this year, while more than 2,000 workers have been laid off else*where in the industry. These* are mainly in the Eastern Cape where Ford, General Motors and Volkswagen have all been struggling against the slump in the domestic market and the buoyant performance of the Japanese assembly plants in South Africa.

The majority of the remain*ing Sigma workforce have* been on a three-day week since mid-October and a four-day week since July. Further cuts are feared in the Eastern Cape, *and it is expected that many of* the companies will close down for an extended period over Christmas.

Although motor sales held up *surprisingly well* earlier this year as South Africa was overtaken by the recession, they slumped dramatically in September and are expected to show no improvement for the next three months.

Nigerian port workers strike

CONCERN is growing among shipping agents over the strike by the 25,000-strong workforce of the *Nigerian* Ports Authority (NPA), which began on Monday, Michael Holman writes from Lagos. The workers have gone on strike over non-payment *of last year's Christmas bonus* —approximately one month's salary. A three-week ultimatum delivered by union leaders expired at the weekend.

Shipping agents said last night that the strike appears to have been well planned. Dockers at Port Harcourt, Warri, and Calabar stopped *working at the same time as* their counterparts in Lagos.

Papua New Guinea to sack over 3,000 civil servants

BY MICHAEL THOMPSON-NOEL IN PORT MORESBY

CUTS IN Government expenditure, including the sacking of 3,300 civil servants, were announced in yesterday's Papua New Guinea budget by the Minister for Finance, Mr Phillip Bouraga.

He said the Government would reduce borrowing levels, and announced plans to spur cash crop production.

The Government is counting on a total of Kina 211.7m (US$294m) in Australian aid for 1983, *having asked Australia* to review its planned cuts in *aid.*

If the review is unfavourable, 45 development projects would be dropped or reduced, Mr Bouraga told parliament.

The country's budget deficit for 1983 is expected to be *K163m, or 10 per cent of GDP.* The cost of debt servicing is estimated at K134.5m, against K101m last year.

However, general overseas borrowing, excluding a K10m interest-free loan from the EEC, *would be the equivalent of* $80m, compared with $100m in 1982, and new borrowings would be steadily scaled down after 1983.

Government expenditure will be cut by 5 per cent in real terms in 1983, and by 3 per cent in real terms in 1984.

"The next two years will be the hardest of our lives," the minister told parliament. The economy has been hit by the slump in commodity prices, particularly for copper, coffee, cocoa and copra.

A major setback has been the decline in ore grades and mineral revenues at the Bougainville copper mine, while significant revenues from the $1.4bn Ok Tedi gold and copper mine in the Star Mountains in the Western province are not expected until the late 1980s.

Ok Tedi, situated in a remote *area of mountainous rain forest,* is being developed by a consortium comprised of Australia's BHP (30 per cent), Amoco Minerals (30 per cent), the Papua New Guinea *Government* (20 per cent), and a group of *German mining companies.* The prime contractor is Bechtel-MKI of the U.S.

AMERICAN NEWS

IMF agreement on Argentine aid package delayed

BY JIMMY BURNS IN BUENOS AIRES

INTENSE NEGOTIATIONS between Argentina and the IMF on a $2bn (£1.2bn) aid package are continuing in Washington amid reports that the Fund's managing director, Mr Jacques de Larosière, has sought "clarification" of some key points of the draft agreement recently signed in Buenos Aires.

According to Argentine Economy Ministry officials, a group of international banks are awaiting the IMF go-ahead before agreeing on the terms for additional bridging aid of between $1.1bn to 1.5bn.

The Economy Ministry in Buenos Aires yesterday confirmed that "difficulties" had arisen in the talks between Argentina and the IMF but that a final agreement was expected to be reached within the next few days.

Argentina has in principle accepted the need for monetary and fiscal restraint. It has also foreshadowed growth in gross domestic product of 5 per cent in 1983 and an inflation rate of about 150 per cent.

But the Fund is understood to have sought more details of the wages and banking policy which the Argentine authorities will pursue over the 15 months beginning in January—a period during which Argentina is hoping to draw on a $1.5bn standby credit and additional funding totalling $500m in compensation for a fall in export earnings.

Senior Fund officials believe the Argentine target of a 5 per cent increase in real salaries next year could complicate the need to contain the budget deficit.

There is also concern that current financial policy—focused on controlling interest rates—could put pressure on central bank resources and affect budget targets.

A central bank official originally announced the fiscal deficit next year would be in the region of 2.5 per cent of GDP. It has now emerged that this figure did not include financing of state companies and that some Economy Ministry officials are holding out for a total budget deficit of about 9 per cent of GDP. The Fund would like to see this reduced to 6 per cent.

Some Economy Ministry officials have warned of the possible social and political implications of having too tight a straitjacket, having widely broadcast the recent draft agreement in Buenos Aires as a compromise.

The difficulties an Argentine government may face in keeping to its target next year were underlined yesterday by the release of the October cost of living index which showed an increase in consumer prices over the past 12 months of 193.3 per cent. Real wages have declined by 21 per cent since the beginning of the year, according to the National Institute of Statistics.

Banks urged to maintain lending to Third World

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE International Monetary Fund yesterday called on commercial banks not to make abrupt reductions in their lending to developing countries for fear of undermining the international financial system. And it said that in some cases the banks should increase their lending.

M Jacques de Larosiere, the fund's managing director, committed the IMF to continuing vigilance in imposing conditions on its own lending "to ensure that economic policies are put on the right track and balance of payments viability is assured over the medium term."

If the fund was to be successful in this, however, the banks would have to "maintain adequate net financing flows to countries in support of sound adjustment policies, which would involve a very large volume of gross long-term flows in addition to the roll-over of maturing short-term credit," he said.

M de Larosiere told an international monetary conference in Philadelphia that all banks must be involved in the process—not just the large multinational banks, but smaller and regional banks as well.

M de Larosiere said considerably more adjustment was needed on the part of many developing countries if external deficits were to be brought down to a sustainable level and debt crises on the Mexican scale avoided.

He called on developing countries to reduce their reliance on external financing and said the industrial countries must continue to practice monetary and budgetary restraint.

An about-turn by the banks would involve forced severe economic dislocations and social problems in the debtor countries. They would be forced to resort to inward-looking policies and to raising protectionist barriers. Some of them might not be in a position to meet their external financial obligations, he warned.

Mexico lifts interest rates

BY WILLIAM CHISLETT IN MEXICO CITY

THE BANK of Mexico has begun to raise interest rates on peso time deposits in a move to satisfy the International Monetary Fund (IMF), which is negotiating a $4.5bn (£2.6bn) loan to help the country over its liquidity crisis.

Positive interest rates in real terms are one of the demands of the IMF, whose discussions with Mexico have dragged on for over two months. A Letter of Intent is expected to be signed within two weeks.

The Central Bank has allowed interest rates on short-term and long-term deposits to become negative in real terms over the past two months by cutting rates on time deposits by about ten percentage points while the rate of inflation has risen by more than this amount in the same period.

Now interest rates on time deposits are being increased, by the order of some 1.15 points depending on the length of the maturity.

U.S. oilmen haunted by spectre of hefty new taxes

BY PAUL BETTS IN HOUSTON

A SMALL but well-orchestrated band of black men and women stood chanting and waving banners outside the ultra-modern Hyatt Hotel in Houston, energy capital of the United States, where the moguls of oil have gathered this week for the annual meeting of their trade organisation, the American Petroleum Institute (API).

"Mamma, please don't let your babies grow up into big oil men," one banner says, echoing a popular Country and Western ballad of these parts. Another simply claims that Houston—a city built by modern architects for, it seems, only modern architects and the motor car—belongs to "the people," and not to "big oil."

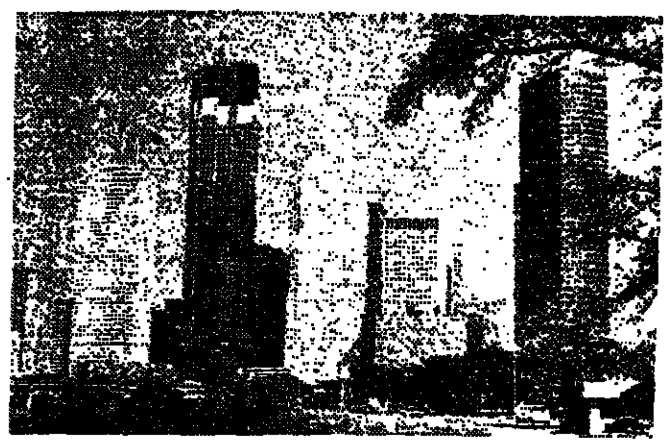
There was nothing especially original about the small demonstration. Indeed, one suspected the oilmen would have been disappointed not to be faced with a few traditional catcalls. But while U.S. oilmen have learned to live with a bad image, they are now worried this image may again cost them a pile of money.

At a time when oil profits are under pressure from lower oil prices caused by lower energy demand and consumption, the U.S. industry sees itself as the target of hefty new taxes and is embarking on a major lobbying campaign in Washington.

Mr Charles DiBona, API's president, warned the oilmen of the danger "that the new Congress, nervous over immense budget deficits, will use the widespread public animosity towards this industry as an excuse to solve the deficit problem with a huge new tax on oil companies." After the 26-seat gain in the House by the Democrats last week, the new Congress will clearly be a more difficult place for the oil industry.

It seemed, however, a little odd that the oilmen should worry so much about taxes just after scoring what appeared to be a major fiscal victory. This followed the ruling last Friday by an 82-year-old federal judge in Wyoming that the 1980 windfall profits tax on oil production, the industry's biggest bête noire, was unconstitutional.

Judge Ewing Kerr declared that the controversial tax violated the constitution because it exempted some parts of Alaska in order to encourage the oil industry to drill in expensive frontier areas. The constitution, he said, stated that excise taxes must be uniform throughout the U.S.



Houston—meeting-place of U.S. oil moguls

From the very beginning, the oil industry has battled against the windfall profits tax designed to raise $227bn (£137.5bn) by the end of the decade. Mr DiBona claimed the taxes made the oil industry "the most heavily taxed industry in America." But neither the API president, nor Mr Clifton Garvin, the chairman of Exxon, the world's biggest oil company, nor the majority of other oilmen in Houston seemed particularly enthused by the judge's surprise ruling last week.

It was generally felt that the chances the ruling would stand were extremely remote. Moreover, the big oil company questioned the wisdom of the small independent oil producers and their trade body, the Independent Petroleum Association of America, in filing the suit in the first place.

Mr Garvin, for example, suggested that if the ruling did stand it would only help oil company cash flows as long as Congress did not substitute the tax with something worse. Another oil man said the Treasury was unlikely to give back billions of dollars of tax revenues. "All they have to do if the ruling sticks is to tax the Arctic oil currently exempted in order to get round the requirement for uniformity," he remarked.

This would be bad news for all the oil companies which last month spent a total of $3.1bn in a federal lease sale for the rights to drill in Alaska's Beaufort Sea. The biggest spenders were Standard Oil of Ohio, 53 per cent owned by BP, and BP's Alaska subsidiary which, between the two, bid nearly $700m in the auction.

"Oil companies would clearly have to re-think the economics of drilling in Alaska," an official of Atlantic Richfield said. He added his company went ahead with the development of the new Kuparuk field in Alaska because of the exemption from the windfall profits tax.

Congress, even before last week's election, already increased the tax burden on oil companies this summer. Mr DiBona said that Congress has tightened the tax laws concerning the fiscal treatment of certain drilling costs not only in the U.S. but also in overseas operations. Mr DiBona claimed new taxes could include a new windfall tax on natural gas, increases in the existing oil tax, refinery gate taxes, additions to the petroleum excise taxes, a British Thermal Units tax on all source of fuel, and an oil import fee.

The industry has been lobbying hard for decontrol of natural gas prices in the U.S. But it now seems that the chances of decontrol without a windfall profit tax on gas are very slim.

The oil companies appear to face an uphill battle. Despite all the belt-tightening at the major companies, the lay-offs at Exxon and the recent decline in oil company earnings, big oil still remains, perhaps a little unfairly, the favourite corporate bogeyman of the U.S.

Mexico settles debt to Brazil

By Andrew Whitley in Rio de Janeiro

THE WORLD'S two heavyweight debtor nations, Brazil and Mexico, with loans outstanding to the international banking community totalling $165bn, have reached agreement on the $200m debt Mexico owes Brazil.

Part of Mexico's debt will be settled in cash and part through reciprocal credit lines to be opened between the two countries' central banks. In Brazil's case this will be used to pay for the continuing purchase of 60,000 barrels of oil a day from Mexico.

Of the total Mexican debt to Brazil, $60m is due to Petrobras, the Brazilian state oil company, and $140m to the private sector. The largest Brazilian private creditor is the oil industry equipment manufacturer Confab.

U.S. warning on Libyan oil

Washington has warned U.S. companies it may take action against them if they import products manufactured from Libyan crude into the country, according to the Middle East Economic Survey. The U.S. prohibited the import of Libyan crude in March.

Two companies, Charter Oil and Coastal States, lift 100,000 barrels a day and 150,000 b/d respectively from Libya, for ultimate sale as refined products to the American market.

Honduras bid to curb smuggling

The Honduran navy, which controls the registration of merchant vessels in Honduras, has cancelled the documents of 500 vessels which had been using the Honduran colours as a flag of convenience, writes Hugh O'Shaughnessy.

The cancellations have been made over about three years in an effort to limit the activities of smugglers and particularly drug traffickers.

El Salvador Right plans to block talks with guerrillas

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

THE EXTREME right in El Salvador is to force a vote in the Constituent Assembly in San Salvador in an attempt to block efforts to start negotiations with the left-wing insurgents.

Major Roberto d'Aubuisson, leader of the extremist Arena party and chairman of the assembly, said on Monday he would seek a vote as soon as possible. He is confident of winning.

Major d'Aubuisson was reacting to Sunday's call by Archbishop Arturo Rivera y Damas, acting head of the Salvadorean Catholic church, who appealed to the Government in his sermon to reconsider its rejection of peace overtures made last month by the insurgents.

Dr Guillermo Manuel Ungo, social democratic leader of the political wing of the insurgent movement, speaking in Mexico, called for unconditional peace talks.

The Archbishop commented: "We have reached the hour for dialogue." The church leader's call is seen as an important shift in sentiment by the local bishops and by the Vatican which is planning a visit to Central America by the Pope next year.

Major d'Aubuisson and leaders of the business community have also reacted angrily to criticism by Mr Deane Hinton, the U.S. envoy to El Salvador, of human rights in the country and clear indications from Washington that the U.S. will halt aid to the government of President Magaña, if atrocities by government forces continue.

The U.S. Government is estimated to be providing some $320m (£188m) to President Magaña this year and the figure is due to rise next year.

Mr Hinton has also expressed Washington's unhappiness at the action of army in arresting twelve political and trade union leaders and submitting eight of them to a court martial.

The U.S. ambassador, reflecting concern among U.S. trade unionists, has also protested at the release of two army officers charged with the murder of two U.S. land reform experts in January last year.

Hitherto, the U.S. has firmly backed calls by President Magaña that there should be no negotiations with the insurgents and that they should present themselves for election in 1984.

Mr Hinton's representations about the court-martialling of the eight detainees, known to be close to the insurgents and active in promoting peace moves, appears to signal a shift in Washington's policy towards eventual negotiations.

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hambros Bank	9 %
Allied Irish Bank	9 %	Hargrave Secs. Ltd.	9 %
Amro Bank	9 %	Heritable & Gen. Trust	9 %
Henry Ansbacher	9 %	■ Hill Samuel	§ 9 %
Arbuthnot Latham	9 %	C. Hoare & Co.	† 9 %
Associates Cap. Corp.	10 %	Hongkong & Shanghai	9 %
Banco de Bilbao	9 %	Kingsnorth Trust Ltd.	11 %
Bank Hapoalim BM	9 %	Knowsley & Co. Ltd.	9½%
BCCI	9½%	Lloyds Bank	9 %
Bank of Ireland	9 %	Mallinhall Limited	9 %
Bank Leumi (UK) plc	9 %	Edward Manson & Co.	10½%
Bank of Cyprus	9 %	Midland Bank	9 %
Bank Street Sec. Ltd.	11 %	■ Samuel Montagu	9 %
Banque Belge Ltd.	9 %	■ Morgan Grenfell	9 %
Banque du Rhone	9½%	National Westminster	9 %
Barclays Bank	9 %	Norwich General Trust	9 %
Beneficial Trust Ltd.	10 %	P. S. Refson & Co.	9 %
Bremar Holdings Ltd.	10 %	Roxburghe Guarantee	10 %
Brit. Bank of Mid. East	9 %	Royal Trust Co. Canada	9 %
■ Brown Shipley	9½%	Slavenburg's Bank	9 %
Canada Perm't Trust	10 %	Standard Chartered	‖ 9 %
Castle Court Trust Ltd.	9½%	Trade Dev. Bank	9 %
Cavendish Gty Tst Ltd.	10½%	Trustee Savings Bank	9 %
Cayzer Ltd.	9 %	TCB	9 %
Cedar Holdings	10 %	United Bank of Kuwait	9 %
■ Charterhouse Japhet	9½%	Volkskas Intl. Ltd.	9 %
Choulartons	10½%	Westpac Banking Corp.	9 %
Citibank Savings	¶10 %	Whiteaway Laidlaw	9½%
Clydesdale Bank	9 %	Williams & Glyn's	9 %
C. E. Coates	10 %	Wintrust Secs. Ltd.	9½%
Comm. Bk. of N. East	9 %	Yorkshire Bank	9 %
Consolidated Credits	9½%		
Co-operative Bank	* 9 %		
Corinthian Secs.	9 %		
The Cyprus Popular Bk.	9 %		
Duncan Lawrie	9 %		
E. T. Trust	10 %		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	12 %		
First Nat. Secs. Ltd.	11½%		
Robert Fraser	10½%		
Grindlays Bank	‡ 9 %		
■ Guinness Mahon	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%, 1 month 5.75%. Short-term £8,000/12-months 8.1%.
† 7-day deposits on sums of: under £10,000 6½%, £10,000 up to £50,000 6¾%, £50,000 and over 7%.
‡ Call deposits £1,000 and over 5½%.
‖ 21-day deposits over £1,000 6½%.
§ Demand deposits 5½%.
¶ Mortgage base rate.

WORLD TRADE NEWS

New Zealand and Australia agree to lift barriers

CANBERRA — Australia and New Zealand have agreed to lift trade barriers to create a common market between them, Mr Doug Anthony, Australia's Deputy Prime Minister, told parliament yesterday.

He said the agreement, which has taken two years to negotiate, was historic. "We are witnessing the gradual freeing of trade between our two countries over a number of years," he added.

Mr Anthony said details would be announced today but, under the draft the two sides have been studying, all trade barriers would be removed by 1995.

Trade across the Tasman Sea is in favour of Australia, which in the year to the end of June exported to New Zealand goods worth A$1.03bn (£581.6m). New Zealand's exports to Australia during the same period were valued at A$726m.

Much of the two-way trade is in manufactured goods, and New Zealand's Prime Minister, Mr Robert Muldoon, came under pressure from Parliament and industry during the negotiations.

Under the draft agreement, tariffs of 5 per cent or less will be eliminated immediately it comes into force.

Other tariffs and export incentives will be phased out gradually to minimise dislocation, according to officials from both sides.

As a result of the projected agreement, Mr Muldoon last week had his National Party government's working majority reduced to one when the Social Credit party withdrew its support. Mr Bruce Beetham, the Social Credit leader, accused Mr Muldoon of driving New Zealand to the verge of depression.

The Government was inexplicably pressing ahead with an agreement which would "deliver a death blow to the New Zealand economy," he said.

Protected

Manufacturers have also complained in New Zealand, where industries are being protected by an import licensing system.

There have also been doubters in Australia. Mr Anthony said a draft report had recently been presented to parliament and industry which, although agreeing in principle, had sought some revisions.

He told parliament the New Zealand Government had already accepted the agreement, "and this morning my Government looked at the proposals and they have accepted it."

Both governments now have to sign the accord, projected to come into force from January 1.

Reuter.

Algeria and France sign pact on transport

By Francis Ghilès

THE FRENCH and Algerian governments have signed a major agreement on transport which is expected to bring French companies contracts worth about FFr 16bn £1.3bn. French companies have, in particular, been retained to build an underground transport system for Algiers.

This is the second agreement devoted to a special sector of the Algerian economy to be signed between the two governments since both countries agreed a new pricing for the Liquefied Natural Gas Algeria sells to France. Agreement was reached earlier this year.

Under the later deal, the French national railways company, SNCF, and the Paris underground authority, RATP, will have an important role alongside French private companies.

This close cooperation in building and transport is thought not to mean that the Algerian authorities are closing other countries out of their market. Many European countries are already building houses, schools and hospitals in Algeria.

Meanwhile the Indian Railway Construction Company has won a $40m contract to build 25 kms of railway track in the region of Saida in south-western Algeria. This is India's largest contract in Algeria to date and follows a rail co-operation agreement signed between the Indian and Algerian governments last month.

A Communist mayor is backing a U.S. multinational. David Marsh reports from Paris

U.S. sanctions create odd French alliance

IT MUST rank as one of President Ronald Reagan's most singular political achievements. He has united the Communist mayor of Le Havre in an alliance with French unions in support of that traditional left-wing bête noire a U.S. multinational company.

That has been the effect of the U.S. technology embargo mounted at the end of August against the Le Havre-based subsidiary of Dresser Industries of the U.S.

The ban was put into place after the Paris government ordered Dresser France to go ahead with contracts to supply compressors for the controversial Soviet gas pipeline. It prevents the French company from receiving any U.S. technology products or services linked to gas and oil equipment.

Since this area makes up the lion's share of Dresser's activities the sanctions effectively cut off the Le Havre concern from its parent in the U.S. This has already caused lost orders and has been raising increasing local concern about the future of an important provider of jobs in an already depressed area of northern France.

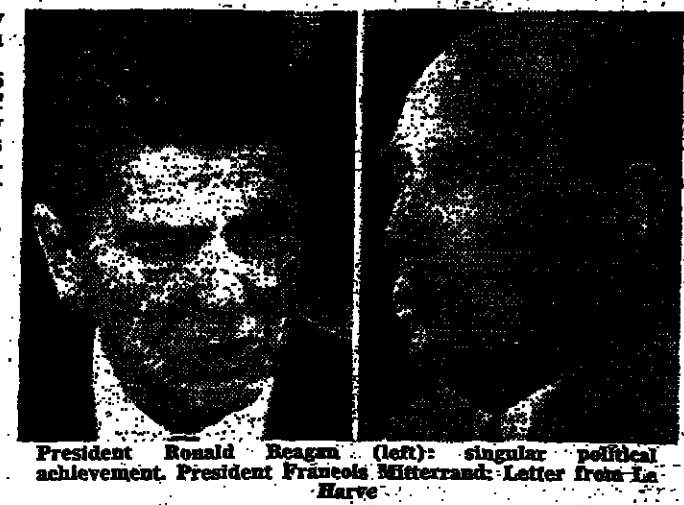
M André Duroméa, the 65 year old Communist mayor of Le Havre and a veteran deputy in the National Assembly, has taken up the cudgels enthusiastically in support of Dresser France.

He heads an action committee, made up chiefly of unions and town representatives, which has been trying to rally local opinion against the pipeline move and warn the Paris government of the consequences for employment in the area.

A letter has been sent to President Mitterrand, and protest marches held in the town centre. A petition containing 10,000-plus signatures will soon be handed in to the U.S. Embassy in Paris.

M Duroméa, a mild-mannered silvery haired man in a well-cut brown suit, says the campaign has won considerable local sympathy. "There is great uncertainty," he says.

Dresser employs 900 workers at its Le Havre plant, many of them highly qualified personnel. Another 1,200 employees in the region work with dependent subcontractors.



President Ronald Reagan (left): singular political achievement. President Francois Mitterrand: Letter from Le Havre

The area's largest employer is Renault with a plant occupying 5,000 people. But Le Havre has been hard hit by the downturn in the traditional northern French refining and metal industries.

About 14,000 to 15,000 are out of work — a local jobless rate of 12 per cent.

Since Dresser currently has work secured only until February — against an order book level of nine to ten months only a year ago — there are fears that the unemployment rate could go higher unless the international imbroglio over the pipeline is solved.

Dresser France, which became a 100 per cent owned subsidiary of Dresser in 1971 coincidentally, the same year that M Duroméa became mayor—is adopting a low profile on the affair.

The company is acutely embarrassed at being the centre of a Franco-U.S. row. "We dislike mixing politics and commercial activities," says one official.

But there is no doubting the seriousness of Dresser's position. The pipeline contracts make up about one quarter of the company's anticipated turnover for this year of FFr 500m (£42m). Capacity usage has been aided recently by an order from engineering company Creusot Loire also hit by the U.S. pipeline sanctions—for turrets to fit tanks Creusot Loire makes for the French army.

But the company has already lost one compressor order, with the Australian natural resources company Santos as a direct result of the ban.

M Duroméa fears that others may follow, since apart from making compressor parts Dresser's other chief line of business is in gas and oil drilling equipment—this area is highly affected by the U.S. sanctions.

French video curbs cause alarm

BY DAVID MARSH IN PARIS

ALARM HAS spread through the French electronics trade following allegations that the French customs authorities have tightened further restrictions on imports of Japanese video recorders.

The Government last month ordered that all video-recorder imports had to be cleared through the small customs post of Poitiers in west central France. The measure has already slowed down arrival of the machines on to the French market, and has sparked angry reactions in Japan and among anti-protectionist watchdogs at the European Commission.

Some importers of Japanese video equipment now claim that the customs authorities are operating a quota system to back up the effectiveness of routing the recorders via Poitiers.

The French customs deny that any quantitative norms have been set limiting daily clearances of the equipment at the Poitiers outpost.

Officials admit, however, that the highly detailed checking system in operation might slow the processing of goods.

Import agents say bureaucratic procedures during the past few days have slowed down clearance of video recorders to about 300 units a day. At a rate of 6,000 a month, this would satisfy only a fraction of the booming demand for recorders on the French market, where sales for this year had earlier been estimated at around 550,000.

Electronics stores in Paris have already reported large-scale buying of video recorders in the fortnight since the Poitiers move became public. Consumers fear that as the equipment becomes scarcer, prices will go up, and newspapers have fanned the flames by reporting that shops will be out of stocks for the Christmas rush.

KENYA BUYS BRITISH

Crown Agents takes fresh role

BY PAUL CHEESERIGHT, WORLD TRADE EDITOR

THE CROWN AGENTS yesterday emerged from the shade of their financial scandals in the 1970s, and the subsequent commissions of inquiry, by emerging as prime contractor for a Kenyan port development carrying orders of £32m for British goods.

This is the first time the Crown Agents has used powers granted by the Government in 1981 to act as a project contractor in its own right, tendering with its own financial package and accepting the financial responsibility for performance.

Traditionally, the Crown Agents' role has been confined to the procurement of goods and services or the management of funds for public sector bodies overseas. But in the 1970s, it lost over £200m through a series of property deals undertaken on its own initiative.

Under a contract with the Kenya Ports Authority, the Crown Agents will provide vessels and port handling equipment for the modernisation of the port of Mombassa. The deal took two years to put together.

Over that period, governments have become involved, the UK aid programme has been mobilised and the British public and private sectors have been thrust together to devise a package which would satisfy the needs of industry for orders and desire of Kenya for long-term credit.

Individually, the Crown Agents, British Shipbuilders, Cheverton Workboats of the Isle of Wight and J. Henry Schroder Wagg, the London bankers, had all identified modernisation of Mombassa port as an area of potential business.

But so too had French and Dutch interests, and it became clear that unless one British bid could be pulled together, the chances of winning orders would be diminished.

The Kenya Ports Authority had ceased automatically to buy from the UK, and it was also clear that it did not want to buy equipment on a five-year credit term, which would have been normal for harbour vessels, container handling equipment and so on.

In he face of these twin pressures, a role for the Crown Agents emerged—that of prime contractor, taking the risks of the overall contract and subcontracting to companies like British Shipbuilders and Cheverton for the equipment.

The Crown Agents by this time had been vested with the authority by the Government to act as a prime contractor for overseas projects with a maximum value of £20m. But special authority, which proved to be forthcoming, would be needed for projects of larger value.

The consortium had two immediate tasks. It had to convince the Export Credits Guarantee Department that a batch of equipment orders be considered as a project. This would enable Schroder Wagg to put together a guaranteed loan package of longer duration than for a single piece of goods.

Once this had been done, Kenya could be offered 8½ years' credit from the time of delivery of equipment.

At the same time, for competitive reasons, it was necessary for the Crown Agents consortium to tap the readier source of aid money which the government had said would be available. This was the Aid/Trade Provision, designed to top up commercial bids.

Italian consortium wins $220m contract in Iran

BY JAMES BUXTON IN ROME

AN ITALIAN consortium has been awarded a contract worth $220m (£133m) for the construction of a power station at Isfahan in Iran. The contract is said to be the first major new construction contract awarded to a foreign contractor by Iran since the 1978 revolution.

The contract is for a 320 MW thermal plant to be added to an existing power complex at Isfahan, and has been given to GIE by Tavanir, the Iranian electricity authority. GIE consists of a number of Italian electrical engineering companies including Franco Tosi, Ansaldo and Ercole Marelli.

GIE, like several other Italian construction concerns, stayed in Iran after the revolution, when most other foreign contractors abandoned work and fled. It has built the rest of the existing power complex at Isfahan and is currently working on a power station at Bandar Abbas.

Like other Italian companies in Iran, GIE has not had an easy time. Payments have often been delayed, and last autumn it was reported that GIE staff were being forced to run the power station at Isfahan on Iran's behalf because the client refused to take delivery of it.

Libyan deal for S. Korea

BY ANN CHARTERS IN SEOUL

THE Hyundai Engineering and Construction Company, in consortium with Fuji Electric of Japan, has signed a $570m (£344.5m) contract to build a power and desalination plant for the General Corporation for Iron and Steel Projects of Libya.

The project, to be completed by the end of 1986, is being financed by the Libyan Government with payment on a cash basis.

The turnkey plant will have six power stations, each with an 85 MW capacity, and three salt-water treatment units with desalination capacity of 10,500 cu metres a day. Hyundai Engineering and Construction, which built a similar facility in Saudi Arabia, will design and supervise the project.

UK NEWS

Nurses offered extra ½% and review body

BY JOHN HUNT

MR NORMAN FOWLER, the Social Services Secretary, has increased the pay offer to nurses for next year from 4 per cent to 4.5 per cent – an extra half per cent which is worth an additional £17m.

He has also brought forward his proposals to set up a new review body to settle nurses' pay. Consultations on this will begin shortly.

The pay dispute in the National Health Service, involving nurses and ancillary workers, has disrupted patients' treatment for seven months. The new offer has not been made so far to the ancillary workers.

The pay body caused alarm among some Conservative Members of Parliament, including Sir William Clark, chairman of the Tory backbench finance committee, when Mr Fowler announced it in a statement to the House of Commons yesterday.

They feared it would be another version of the Clegg Commission, which decided public sector pay on grounds of comparability and was scrapped by the Conservative Government because it was inflationary. But Mr Fowler adamantly denied that this was the intention.

His latest proposals on nurses' pay and the review body are intended to put more pressure on the health unions affiliated to the Trades Union Congress (TUC) to settle. Mrs Gwyneth Dunwoody, Labour's Shadow Health Minister, accused him of yet another attempt to drive a wedge between the nurses and the health workers.

Officials of the Department of Health were talking to the TUC health services committee yesterday in an attempt to work out a formula.

The implication is that the Government is prepared to increase the offer to the health workers by a similar half per cent if it will bring the bitter dispute to an acceptable end.

The previous offer, made in September, was 7½ per cent for nurses and midwives and 6 per cent to 6½ per cent for other health workers. There would be an additional 4 per cent on offer next year to all as part of a two-year settlement.

It is this sum which has now been raised to 4½ per cent for nurses but not to the others at this stage. The September offer was worth just over £1bn.

Coal Board gives 'hit list' assurance

By John Lloyd

UNIONS representing overseers and managers in the National Coal Board (NCB) yesterday accepted assurances from Mr Norman Siddall, the board's chairman, that the NCB had no "hit list" of pits and that it did not intend to accelerate the closure programme.

Ironically, the assurances were given as it became clear that the Commons select committee on energy intends to press the board on its plans for uneconomic pits, and on why its "top 30" loss-makers lose £227.7m of an annual operating deficit last year of £252.6m.

The committee has called for a mass of information by next week covering such contentious issues as the number of pits the NCB intends to close in two, five and 10 years' time, the effect of such closures on its operating deficit and the implications for redundancies.

It has said it will call Mr Siddall to give evidence to the committee in about two weeks' time. It will also call on Mr Arthur Scargill, president of the National Union of Mineworkers (NUM).

The information required by the committee is likely to fuel further controversy between the board and the NUM executive.

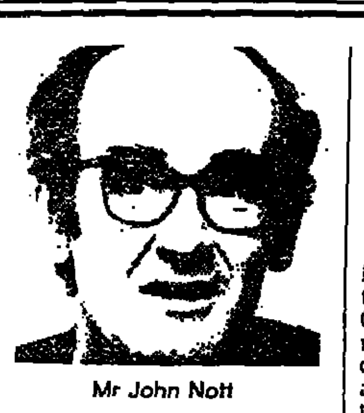
The meeting between unions and the board yesterday in the coal industry's national consultative committee was boycotted by Mr Scargill and most of his executive. Mr Trevor Bell, secretary of the union's white collar section, and Mr Edward McKay, secretary of the small North Wales area, did attend.

Mr Scargill has demanded a separate meeting between the board and the NUM executive. The NCB said it had offered to bring forward a routine meeting between the two from November 24 to November 17.

The major issue on yesterday's agenda was a series of documents, parts of which were released by Mr Scargill last week and which he claimed showed that the board had a "hit list" of between 75 and 95 pits.

Minister orders state arms factories to be more commercial

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT



Mr John Nott

THE GOVERNMENT'S arms factories have been told to improve their profitability, and they are also to be given the means to stand on their own feet commercially.

However, plans to sell off to private industry the 13 companies that fall under the general management of the Royal Ordnance Factories (ROF) appear to have been shelved.

Indications that the Government had decided on a new regime for the wholly state-owned ROF came last week, with the announcement that Mr Frederick Clarke, formerly general manager of IBM (UK), had been appointed its chairman and chief executive.

Mr John Nott, the Defence Secretary, said in answer to a parliamentary question that Mr Clarke would be responsible "for planning and supervising the development of the ROFs into a free-standing commercial organisation."

It is understood that Mr Clarke has a wide brief, which would include for the first time giving the ROF its own research and development activities and its own sales organisation.

Any move to privatise ROF seems unlikely before the next election, although the measures being introduced will facilitate such action were the next Government to decide on privatisation.

The ROF, formed out of arms and munitions factories set up by Government in the 19th century, has operated under the Trading Fund Act since 1974. ROF net assets at that time were £95m, of which £35m was public dividend capital and £60m loans from the National Loans Fund.

The ROF has consistently made a profit since then, although its performance has been patchy. Business was particularly badly harmed by an estimated loss of some £1.6bn in forward sales of tanks to Iran.

In recent years, small profits have been made only after substantial lay-offs. Last year's profit of £1m on £280m sales is expected to be increased slightly this year.

The ROF makes a wide range of arms and armour, from main battle tanks to small arms and ammunition. It won the Queen's Award for exports in 1976 and 1978 with exports varying between a third and half of total sales.

There has been considerable uncertainty over its future, which has been the subject of several inquiries, the latest of which was set up within the Ministry of Defence by Lord Trenchard, Minister of State for Procurement.

Rothschild and Kleinwort Benson merchant banks have recently been asked to prepare feasibility studies for the privatisation of the ROF. However, both banks have been told that the Ministry of Defence is only undertaking a preliminary assessment.

Government to take steel decision soon

BY IVOR OWEN

MR PATRICK JENKIN, the Industry Secretary, assured the House of Commons last night that long-term needs would be taken fully into account by the Government before any decisions were reached on how to resolve the problems of the British Steel Corporation (BSC).

Fears that one of BSC's five major plants may be closed dominated an Opposition attack on the Government's industrial policy during the resumed debate on the Queen's Speech.

Mr Jenkin stressed that neither the Government nor BSC had any intention of taking "precipitate action based solely on short-term considerations."

While refraining from any firm commitment, he said the Government hoped to make an announcement before Christmas on the decisions reached on the list of options prepared by Mr Ian McGregor, the BSC chairman.

"I do not want to disguise from the House the difficult decisions which may face the Government," he said.

Mr Jenkin, who disclosed that the Government had agreed to provide additional finance for the scheme announced last December to secure the rationalisation of private sector steel companies, underlined the Government's determination to take a careful look at the prospects for the steel industry as far ahead as possible.

Launching the Opposition's attack, Mr Stan Orme, Shadow Industry Minister, called for the retention of all five plants and warned that any attempt by the Government to further reduce BSC's capacity would be "completely unacceptable."

Mr Orme maintained that the Government had a responsibility to safeguard the British steel industry and he told ministers they could no longer stand idly by. He demanded immediate action to restrict steel imports, measures to reflate the industrial sector of the economy and action by the Chancellor of the Exchequer to lower the exchange rate of the pound.

COMPANY NOTICES

CONSOLIDATED COMPANY BULTFONTEIN MINE, LIMITED
GRIQUALAND WEST DIAMOND MINING COMPANY,
DUTOITSPAN MINE, LIMITED
(Both incorporated in the Republic of South Africa)

DECLARATION OF DIVIDENDS

NOTICE IS HEREBY GIVEN that the directors of the abovementioned companies have declared dividends for the six months ending 31st December, 1982 payable to shareholders registered in the books of the respective companies on 24th December, 1982. The dividends have been declared in the currency of the Republic of South Africa.

Warrants will be posted from the Kimberley and the United Kingdom offices of the transfer secretaries on or about 3rd February, 1983. Registered shareholders paid from the United Kingdom will receive the United Kingdom currency equivalent on 29th December, 1982 of the rand value of their dividends, (less appropriate taxes). Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the offices of the companies' transfer secretaries in Johannesburg or in the United Kingdom on or before 24th December, 1982.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the head and London offices of the companies and also at the offices of the companies' transfer secretaries in Kimberley and the United Kingdom.

Company	South African Currency Per Share
Consolidated Company Bultfontein Mines, Limited	5 cents
Griqualand West Diamond Mining Company, Dutoitspan Mine, Limited	22 cents

By order of the Boards
For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
J. C. GREENSMITH

London Office:
40 Holborn Viaduct
London EC1P 1AJ

Office of United Kingdom Transfer Secretaries:
Charter Consolidated P.L.C.
P.O. Box 102
Charter House, Park Street
Ashford, Kent TN24 8EQ

10th November, 1982.

ROLINCO

ROTTERDAM

ANNUAL GENERAL MEETING OF SHAREHOLDERS

To be held at the Hilton Hotel, Weena, Rotterdam, on Tuesday, 30th November, 1982, at 2.30 p.m.

AGENDA

1. Opening.
2. To receive and adopt the Report of the Managing Directors for the financial year 1981/82.
3. To receive and adopt the Annual Accounts for the financial year 1981-1982.
4. To determine the appropriation of the profit.
5. To compose the Board of Supervisory Directors. Messrs. E. A. Brouwer and P.-P. Schweitzer will resign having reached retirement age. The Earl of Cromer will retire by rotation; he offers himself for re-election. It will be proposed to appoint Mme. Simone Veil and Messrs. J.-M. Levêque, W. Scheel and A. A. Th. M. van Trier, a Supervisory Director.
6. Any other business

Copies of the full agenda and of the Annual Report for 1981/82 can be obtained from National Westminster Bank PLC, Stock Office Services, 5th Floor, Drapers Gardens, 12 Throgmorton Avenue, London, EC2.

Holders of Share Warrants to Bearer desirous of attending or being represented at the Meeting, should lodge their Share Warrants by hand (postal deliveries will not be accepted for voting purposes) with the National Westminster Bank PLC, Stock Office Services, 5th Floor, Drapers Gardens, 12 Throgmorton Avenue, London, EC2 (between the hours of 10 a.m. and 2 p.m.) in exchange for a receipt, not later than Wednesday, 24th November 1982.

Beneficial owners whose Share Warrants are presently deposited with a Bank must obtain a certificate of deposit signed by the Bank as evidence that such Bank is holding the Share Warrants. This certificate must be lodged against receipt by the Bank with the National Westminster Bank PLC, in accordance with the requirements stated above.

The receipt for the Share Warrants or certificate of deposit will constitute evidence of a shareholder's entitlement to attend and vote at the Meeting and should be presented at the door of the Meeting Hall. If a holder desires to appoint a proxy, who need not be a member of the Company, to attend and vote in his stead, a form of proxy may be obtained from the National Westminster Bank PLC as above and this form of proxy must be presented at the door of the Meeting Hall together with the receipt for the Share Warrants or certificate of deposit.

Beneficial owners of Sub-share Certificates registered in the name of National Provincial Bank (Nominees) Limited desirous of attending or being represented at the Meeting must obtain a receipt or certificate of deposit in the same way as holders of Share Warrants to Bearer. [illegible]

Beneficial owners of Sub-shares registered in any name other than that of National Provincial Bank (Nominees) Limited and Registered Full Shares, who wish to attend and vote at the Meeting or to appoint a proxy [illegible]

By Order of the Board of Managing Directors
A. B. BUNKER

Dated this 10th day of November, 1982.
PO Box 973,
Rotterdam.

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE
CANADA-UNITED KINGDOM FREIGHT CONFERENCE
NOTICE TO SHIPPERS AND IMPORTERS

Traffic between the United Kingdom, Northern Ireland and the Republic of Ireland and Canadian Maritime and St. Lawrence River and Great Lakes Ports

The member Lines of the above Conferences would refer to the several recent Press announcements in which they advised shippers and importers of their Conference intention to modernise the introduction of commodity tariffs by the introduction of commodity box rates and to apply a general increase in tariff rates with effect from 1st January 1983 also that the tariff currency would be changed to U.S. dollars and that possibly the currency adjustment factor would be included in the new rates.

After the most careful consideration of submissions made by the interested shippers' councils and individual shippers, the member lines have now decided that, for the time being, the tariff currency will remain in Canadian dollars and the presently applicable currency arrangements will remain unchanged. [illegible]

CANADIAN ATLANTIC FREIGHT SECRETARIAT LTD. Secretaries

Notice to noteholders
BANK HANDLOWY W. WARSZAWIE S.A.
USD 30 million
floating rate notes due 1983

NOTICE IS HEREBY GIVEN TO all noteholders of the above referred issue who are not signatory to the rescheduling agreement signed on November 3rd, 1982 in Vienna, that in view of an expected payment of the interest due for the period from August 11, 1981 to February 11, 1982, they should surrender the corresponding coupon at the office of the fiscal agent, BANQUE NATIONALE DE PARIS, Centre d'Operations sur Coupons, 14 rue Bergere PARIS 75009 or at the principal offices of the following paying agents:

—BANQUE NATIONALE DE PARIS S.A. Luxembourg
—BANQUE INTERNATIONALE A LUXEMBOURG S.A. Luxembourg
—FRENCH AMERICAN BANKING CORPORATION New York
—SOCIETE GENERALE Nantes

Payment should be made starting November 12, 1982 in the amount of USD 103.82 per coupon.

M.L. HOLDINGS P.L.C.
8½% DEBENTURE STOCK 1989-1993

NOTICE IS HEREBY GIVEN that the Transfer Books and Registers of the above Stock will be CLOSED for the 26th November, 1982 only.

By order of the Board
A. P. SMITH, Secretary

PUBLIC NOTICE

WEST YORKSHIRE METROPOLITAN COUNTY COUNCIL

£12m 91-day Bills issued 10 November, 1982 due 9 February, 1983 at [illegible]%. Applications totalled £54m. No other Bills outstanding.

CLUBS

THE GASLIGHT OF ST. JAMES'S, London's most exciting Businessman's night rendezvous. [illegible]

EVE has outlived the others because of a policy of fair play and value for money. [illegible]

LEGAL NOTICES

No. 001423 of 1976
THE COMPANIES ACT, 1948
IN THE MATTER OF
LEACHIM PROPERTY
COMPANY LIMITED

NOTICE IS HEREBY GIVEN that a First and Final Payment to Preferential Creditors is intended to be declared in the above-named Company and that Preferential Creditors who have not already proved their claims are to come in and prove such claims on or before the 25th November 1982 after which date the Official Receiver and Liquidator of the above-named Company will proceed to distribute the assets of the said Company having regard only to such Preferential Creditors as shall then have proved their claims.

G. B. GILLVRAY,
Official Receiver and Liquidator,
Atlantic House,
Holborn Viaduct,
London EC1N 2HD.

No. 004100 of 1982
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
Re: ST. JOHN D'EL REY
MINING COMPANY P.L.C.
and
Re: THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated the 18th day of October 1982 confirming the reduction of the capital of the above-named Company from £5,090,000 to £5,000,000 and the Minute approved by the Court showing with respect to the capital as altered the several Particulars required by the above-named Act were registered by the Registrar of Companies on the 22nd day of October 1982.

Dated the 10th day of November 1982.
LINKLATERS & PAINES (ARob.),
Solicitors to the Company.

No. 003078 of 1978
THE COMPANIES ACT, 1948
IN THE MATTER OF AYLESFORD
CONTINUOUS STATIONERY LIMITED

NOTICE IS HEREBY GIVEN that a First and Final Payment to Preferential Creditors is intended to be declared in the above-named Company and that Preferential Creditors who have not already proved their claims are to come in and prove such claims on or before the 25th November 1982 after which date the Official Receiver and Liquidator of the above-named Company will proceed to distribute the assets of the said Company having regard only to such Preferential Creditors as shall then have proved their claims.

G. CLARK
Official Receiver and Liquidator
Atlantic House
Holborn Viaduct
London EC1N 2HD

PERSONAL

FACT
THE DAILY INJECTION
of insulin, is, for many
the only way to stay alive
They have:
DIABETES
Join us — Help us
Support us
BRITISH DIABETIC
ASSOCIATION
10 Queen Anne Street
London W1M 0BD

QUEBEC CENTRAL RAILWAY COMPANY
CAPITAL STOCK

In preparation for the payment of the half-yearly dividend due January 15, 1983, on the above Stock, the Transfer Books will be closed at 3.30 p.m. on December 30 and will be re-opened on December 31, 1982.

W. E. REEVE, Assistant Secretary.

50 Finsbury Square, London EC2A 1DD.
November 10, 1982.

RESIDENTIAL PROPERTY

AIRCRAFT FOR SALE

TRAVEL

MOTOR CARS

FINANCIAL TIMES
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Washington: Editorial 1171 National Press Building, Washington D.C. 20045. Telex: 440340. Tel: (202) 347 8676.

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Dan-Air in bid to take over routes to Iberia

By Arthur Sandles in Cannes

DAN-AIR, the airline subsidiary of Davies and Newman, has become the third contender to take over several routes to Spain and Portugal when British Airways abandons the last of them next spring.

The airline will this week apply to the Civil Aviation Authority for the right to fly from both Gatwick and Manchester to Palma, Mallorca, Alicante in southern Spain, and the Portuguese coastal city of Faro.

Dan-Air is thus in competition with the Thomson Organisation airline, Britannia, and Air Europe, which is owned by Intasun.

Mr Graham Hutchinson, managing director of Dan-Air Services, was optimistic that his bid for the routes would be successful, speaking in Cannes at the annual conference of the Association of British Travel Agents.

"We are the one airline of the three which has wide experience of both charter and scheduled operations," said Mr Hutchinson.

At the moment Dan-Air has 60 charter flights a week to Palma, about 20 to Alicante and 25 to Faro. Its scheduled services go to 20 airports in seven countries.

If Dan-Air were to get all the routes, it might have to acquire new jets. It is already taking delivery of two British Aerospace 146s next spring.

Dan-Air has a fleet of about 50 aircraft, including 727s, 737s and BAC One-Elevens. Recently, Dan-Air applied for the Inverness-London licence, also about to be abandoned by BA.

CAA hearings on the rival bids for the routes to the Iberian peninsula will most likely be held in January.

Travel agents attack Laker's plans

BY ARTHUR SANDLES

AN ATTACK on Sir Freddie Laker and his plans to launch a new package tour company drew an ovation from nearly 3,000 travel agents at their annual conference in Cannes.

Two years ago, Sir Freddie was the hero of the convention. This time, when the president of the Association of British Travel Agents urged his association to do everything it could to stop Sir Freddie's comeback, he was greeted with shouts of approval and prolonged applause.

Mr Ivor Elms told delegates it would be "almost immoral if the Civil Aviation Authority gives a licence, while the failure of the other one is not anywhere near settled."

The association is hearing Sir Freddie's application for licences this week. The new company, Freddie Laker Holidays, is 51 per cent owned by Lonrho and 49 per cent by Lafal, a company controlled by Sir Freddie. Mr Edward du Cann is chairman of the holiday company.

Hundreds of British travel agents are still engaged in discussions with the Laker group liquidators and the committees handling the Laker "bonds" (compulsory insurances required of all tour companies), in order to get cash back for themselves and clients in the wake of the Laker collapse.

"We have got to put any pressure we can to prevent him getting his licences," said Mr Elms.

Sir Freddie plans a tour company, which would offer about 25,000 holidays on the British market. It would take tourists to the U.S. and the Mediterranean.

The authority's licensing procedure follows strict rules, and, if the new company fulfils those rules, the authority has to issue the licence. Sir Freddie is only a minority shareholder in the new company and his individual standing may not be of any particular relevance.

Once the necessary licences have been procured, Sir Freddie's next hurdle is to achieve membership of the Association of British Travel Agents.

His application has provoked a furore in the industry. If the reaction of the conference to the mention of Sir Freddie's name is any indication, his route to membership, and thus to re-admittance to the travel club, is likely to be rough.

BA in shuttle plan with Belgium's Sabena airline

BY OUR AEROSPACE CORRESPONDENT

BRITISH AIRWAYS is discussing with Sabena, the Belgian airline, the possibility of a joint no-reservations shuttle style air service between London and Brussels.

Mr Roy Watts, deputy chairman and chief executive of British Airways, and Mr Carlos van Rafelghen, chairman and chief executive of Sabena, agreed to study the idea after preliminary discussions at the annual meeting in Geneva of the International Air Transport Association, which both are attending.

British Airways alone carries up to 600,000 passengers a year on the London-Brussels route, most of it high fare business on a year-round basis.

British Airways believes this is enough traffic to enable it to run a no-reservations shuttle on its own, but it would prefer to work in partnership with Sabena.

The shuttle system, whereby passengers do not need to book seats in advance, is working well in the UK between London and Glasgow, Edinburgh, Manchester and Belfast, and this success has encouraged British Airways to seek to expand the system to Europe.

The airline has tried, so far without success, to win French approval for a London-Paris shuttle, in conjunction with Air France, and has not given up hope of achieving that goal.

The London-Paris traffic carried by British Airways alone is sufficient to enable it to run a shuttle by itself, but it would prefer Air Frances's co-operation.

British Airways is also interested in shuttles to Amsterdam, and Dublin, but has encountered reluctance by KLM in Holland and Air Lingus in Ireland. It hopes to achieve an agreement for shuttles to both cities in 1983.

Mr Watts believes that the studies being conducted with Sabena show considerable promise. It is intended to complete them in a few weeks. If they show that a London-Brussels shuttle is feasible, it could be operating by the middle of next year, in view of the experience gained by British Airways on domestic routes.

New Gatwick passenger terminal given go-ahead

BY LYNTON McLAIN

THE GOVERNMENT gave the go-ahead yesterday for the British Airports Authority to build a second passenger terminal at Gatwick Airport, Sussex, at a cost of £250m by 1988.

The go-ahead for the second terminal will increase Gatwick passenger handling capacity by 9m passengers to a total of 25m passengers a year—over three-quarters the capacity of Heathrow.

The decision was announced by Mr Michael Heseltine, the Environment Secretary, and Lord Cockfield, Trade Secretary, when they gave the airports authority outline planning permission for the second terminal.

The permission also allows the British Airports Authority to construct an access road to the proposed new terminal from the nearby A23. The Government has, however, turned down BAA applications for roads, services, taxiways and aircraft stands for an extra cargo and maintenance area.

The outline planning permission calls for additional measures to cut the effects of noise and other nuisance.

The £250m Gatwick investment brings to almost £1bn the total the British Airports Authority wants to spend by the 1990s on its three airports in south-east England.

At Heathrow at least £200m is expected to be spent at Terminal Four now under construction to boost handling capacity by 8m to 38m passengers a year.

BAA also wants to expand Stansted Airport, Essex, to handle 15m passengers a year in a £500m programme.

The £950m investment will increase passenger handling capacity at south-east airports by 70 per cent to 78m passengers a year by the late 1980s and early 1990s.

British Caledonian Airways, based at Gatwick, "welcomed wholeheartedly" the go-ahead. Mr Alastair Pugh, managing director of BCal said last night: "The time available to build terminal two before the present facilities become saturated was critically short."

Profits of food makers 'will show small rise'

By David Churchill, Consumer Affairs Correspondent

FOOD MANUFACTURERS' profits this year are likely to rise by no more than the general inflation rate, and less than industrial profits overall, according to the latest industry forecast from stockbrokers Phillips and Drew.

The brokers forecast a similar outlook for food companies' profits next year, with a fall in cost inflation balanced by increased pressure from food retailers.

A modest increase in food sales is also anticipated by the brokers, but a falling rate of food price inflation is likely to leave growth in sales value steady at about 8 per cent.

"This level of increase may allow a slight widening of trading margins but even helped by lower interest rates and some weakness in sterling, pre-tax profits growth of no more than 10 to 15 per cent is envisaged," the brokers said.

A report from the Euromonitor research company suggests that publicity about fast food operations has obscured a faster growth in sales of food through pubs.

The report suggests that the British pub will become the ultimate barrier to U.S.-style growth in fast food in the UK.

Total expenditure in the hotel and catering market was about £20bn in 1981, says Euromonitor, of which £16bn was spent by individuals and the rest by institutions. Overall, it says that individual consumer spending on catering rose by about 4 per cent last year.

Within this total about £5.5bn was spent on food and £5.2bn on drinks.

The report points out that fast food chains account for about one-third of total consumer spending on food catering.

The Hotel and Catering Industry 1982, published by Euromonitor, 18, Doughty Street, London, WC1, price £135.

Fuel conversion loan scheme may fail

BY MAURICE SAMUELSON

BRITISH INDUSTRY is to be offered a range of long-term low interest loans for converting to coal from other fuels, but the scheme has taken so long to work out that it is in danger of being stillborn.

Under the scheme, expected to be announced in Whitehall today, EEC loans will be available for up to half the total cost of an approved conversion to coal from oil or gas.

The loans, at 3 percentage points below commercial rates, will be repayable over eight years, but the first payments will not have to be made before the end of the fifth year.

If the borrowers also qualify for the 25 per cent grant under the Industry Department boiler conversion scheme, this means that up to 75 per cent of the total investment cost would be met by the Government or the EEC.

In theory, the announcement should be gleefully greeted by the National Coal Board and by the UK's hard-pressed shell boiler manufacturers. But there is now doubt as to whether the scheme, which has been under negotiation between London and Brussels for nearly two years, will last more than four months.

Grants taken up so far total less than £6m and although this is expected to rise sharply in the closing months of the scheme, the final amount is expected to fall well short of half the total £50m available.

There is a strong view in the Industry Department that the grants scheme will not be renewed and that the Euroloans will also be withdrawn with them. A different view is believed to prevail in the Energy Department, which is keen to stimulate the move to coal.

The National Coal Board, which is eager for the grants to continue, maintains that even if they fail there is a pledge from EEC officials that the loans should operate for three years.

Delays in launching the Euroloans are believed to have been caused by the discussions on who should administer them in Britain. This responsibility was finally given to Finance For Industry.

Both forms of financial assistance are seen as important for National Coal Board's bid to increase its sales to UK industry. According to Mr Malcolm Edwards, NCB director-general for marketing, sales to new industrial customers, who are moving to coal from other fuels, "are starting to outweigh the effect of works closures, which brought the industrial market in 1981-82 to 8.7m tonnes."

Cigarette risk list grows

BY DAVID FISHLOCK, SCIENCE EDITOR

CARBON MONOXIDE is to be included in the next "league table" of poisons present in cigarette smoke. It joins tar and nicotine in the 16th bi-annual table, about to be published by the Government, based on sampling done late last year.

The gas has been measured regularly for some years by the Government Chemist's laboratory in London. The laboratory prepares the tables for the Health Department. Hitherto publication of the figure was prevented by tobacco-industry pressure. The gas poisons by combining with haemoglobin to prevent blood from carrying oxygen.

Carbon monoxide measurements for 150 brands were given to researchers by the Health Department. Average carbon monoxide yields fell by a few per cent over the past five tables.

Measurements of tar, nicotine and carbon monoxide in smoke from brands surviving from the 1920s show a steady fall in all three. Between 1931-1981 the average yields of nicotine fell from 2.1mg per cigarette to 1.34mg, of tar from 34 mg per cigarette to 15.9 mg and of carbon monoxide from 20 per cigarette to 15.1 mg.

The laboratory is developing a technique for automatic measurement of a fourth poison, hydrogen sulphide.

Cable television picture remains unclear

Guy de Jonquieres on a report which says success is not assured

THE speedy development of cable television in western Europe should not be taken for granted, suggests a report by CIT Research and Communications Studies and Planning, whose main conclusions were published yesterday.

The report warns: "The economics of cable are fragile, the risks speculative, the demand unproven and the effects uncertain."

On the basis of research in five European countries, it estimates that 15 to 20 per cent of viewers would be interested in paying to subscribe immediately to multi-channel cable television. At present, about 7 per cent of European viewers are served by multi-channel cable networks, but in most cases receive only normal off-air broadcasts.

The study avoids making any firm forecasts, but offers instead a range of possible developments. The most optimistic envisages that cable construction will start in earnest by 1984 and that by 1992 about 27 per cent of Europe's 125m *households* will be linked to cable — about the same proportion as in the U.S. today. Total *revenues from cable subscriptions* would be $4.7bn (£2.85bn) in 1992, while annual capital investment would run at about $1.6bn (£969m) between 1988 and 1992.

On the pessimistic assumption, cabling would not start until 1988 and 16 per cent of households would be connected by 1992, when subscription revenues would total $2.6bn. Capital investment would peak *at $1.4bn in 1990.*

CABLE TV GROWTH: ALL WESTERN EUROPE

	Best case projections						Worst case projections					
	1982	1984	1986	1988	1990	1992	1982	1984	1986	1988	1990	1992
Number of households (m)	119.0	120.1	121.2	122.35	123.5	124.65	119	120.1	121.2	122.35	123.5	124.65
%of households linked to cable	7	10	13	17	22	27	7	9	10	11	13	16
Annual estimated advertising revenue ($m)		65	285	600	970	1,365		70	335	785	1,375	1,065
Annual estimated subscriber revenue ($m)		505	1,535	2,665	3,610	4,690		35	225	725	1,795	2,580
Annual estimated edvertising revenue ($m)		65	285	600	970	1,365			15	90	305	540

Source: CIT Research

The study predicts that cable penetration will vary widely between *countries. It believes* that cable will develop fastest in Britain, the Benelux countries, Switzerland, Austria and parts of Scandinavia.

The *study was, however,* researched before the Hunt Report was published in Britain *and recent decisions by the* French and German governments to invest heavily in cable system construction.

The study suggests that such *systems, which incorporate optical* fibres and "switched" technology, will only be built initi*ally if supported by large* government subsidies. But it also identifies several factors which are likely to determine the speed of cable development:

● The degree of government regulation and restrictions imposed.

● *The quality and cost of pro*gramming offered on subscription channels, for which viewers will need to pay extra.

● The extent to which cable *attracts advertising which, the* study believes, will be a vital part of operators' revenues.

● *The amount of involvement* and support from industries like banking, publishing, retailing and broadcasting.

Even in the most promising *circumstances, however,* the study warns that prospective cable operators cannot expect more than marginal profits until the 1990s, and that some will incur losses. It also *sees little* demand for two-way "interactive" services, such as *home shopping* or banking, for at least 10 years.

Though *advertising revenue* may mean the difference between profit and loss for many operators, the study suggests that cable is unlikely to attract more than 10 per cent of total European advertising spending in the foreseeable future.

One of the study's central themes is that subscription *channels, the most profitable* part of the U.S. cable industry, will prosper only if viewers are offered programmes of high quality at reasonable cost. But it warns that balancing these twin requirements may be difficult.

The report says there is little evidence of widespread dis*satisfaction with the existing* choice and quality of European television programmes and also that few viewers are prepared, at present, to pay more than £10 per month to receive additional programmes.

While the authors believe that it may prove possible to persuade viewers to spend more than this, they would only do so for high quality programmes and the study *concludes* that the amount of money available for programming will be limited.

It calculates that out of $175 annual subscription revenues which a cable operator might *receive from a single* subscriber, only $5-8 per month would be available for programming, or $7.50-12 if advertising is included. On this basis, *programme costs would have to* be reduced to about 3 cents per hour per subscriber.

On average, the study says, about 30 per cent of a cable *operator's costs would be for* his investment in building his system. The cost of cabling up each household would vary widely, depending on the technology used, cable penetration in the area concerned, population density and physical conditions.

It estimates that the cost per *household, depending* on systems available, could range from $222 to $1,600.

Some industry experts think that the smaller figure is too *low and the larger* one too high. They say the single biggest construction cost is likely to be the cost of employing manpower to dig up the road and lay the cables.

The study's extremely cautious—sometimes even pessimistic—conclusions about the commercial outlook for cable may dampen some of the recent euphoria among prospective investors.

Cable TV Communications in Western Europe. Available by subscription only from CIT Research, Circus House, 21 Great Titchfield Street, London W1P 7FD. Tel: 01-580 5271.

Food costs less in real terms than in 1971

By Richard Mooney

BRITISH CONSUMERS are paying less for food in real terms than they were 11 years ago, says the National Farmers' Union.

The NFU has worked out the cost of major food items in terms of work-time equivalents following publication of the Department of Employment's earnings survey.

From a list of 13 items, only beef, lamb, cheese and potatoes have become dearer in terms of the time worked on average to buy them, while sugar is unchanged.

The biggest fall in the list is for tomatoes. In April 1982 *the average worker had to put* in 11.6 minutes to earn the money to buy 1lb compared with 20 minutes in April 1971.

The average manual worker earns 5.03p a minute.

...Frozen broiler chickens cost 11.1 minutes a lb of a *worker's time against 17.2* minutes in 1971; milk cost 4 minutes a pint (against 4.7 minutes); eggs 15.5 minutes a dozen (22.6); white bread 7.4 minutes a loaf (9.0); pork 20.5 minutes a lb (27.6); bacon 29.2 minutes a lb (30.2); and *butter 18.9 minutes per 500* grams (20.4).

Time-share fishing

ONE OF Scotland's top salmon rivers has joined the time-share boom. Aboyne Water, a singl-bank stretch in *the middle* reaches of the River Dee is being offered in three beats at prices from £3,000 to £8,000, per week in *perpetuity.*

Mr R. F. d'A Willis of Savills, which is assisting with the sale, describes the offer as "undoubtedly the most attractive salmon fishing ever offered on time-share in Britain."

Sweet company plan

THORNTONS, one of Britain's oldest family-owned confectionery companies, yesterday announced a major expansion programme which could create up to 300 jobs. The company has agreed to *buy a 65-acre site from* Derbyshire County Council at Swanwick.

Bulk carrier sold

THE Liverpool-based Bibby Line has sold another of its fleet as the recession continues in the shipping industry. The bulk carrier Dorsetshire has been sold to Greek interests for an estimated £1.5m.

The vessel is undergoing dry-dock inspection in Malta *before delivery to the new* owners. Bibby sold two general cargo ships last year.

W. H. Smith order

WE wish to make it clear that W. H. Smith's initial order *for the film Tangier,* referred to in John Chittock's article yesterday, is not linked to a specific incentive *for* holidays for employees. The cassettes are being provided on a sale or return basis.

Gulf War tanker charter-case back in High Court

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A DISPUTE between the owner and the charterer of *the tanker Wenjiang, one of* more than 70 ships which have been trapped in or near the Shatt-al-Arab waterway off the Gulf for the past two years as *a result of the Iraq-Iran war,* returned to the High Court yesterday.

International Sea Tankers, the Liberian charterer, appealed to the Commercial Court against an arbitrator's finding that the time-charter*party under which the Wen*jiang was operating was frustrated by the war on November 24 1980.

Ships were prevented from leaving the area of the Shatt soon after hostilities broke out *towards the end of September* 1980. The arbitrator, Mr Donald Davies, held that the Wenjiang's charterparty was frustrated when Mr Mr Olaf Palme, a former Swedish prime minister, failed in his efforts to arrange for the trapped vessels *to be moved to safety.*

International Sea Tankers *contended that frustration* occurred not later than October 7, when it was clear that the war was going to last a long time.

Hemisphere Shipping Company, of Hong Kong, the vessel's owner, which at an earlier stage had argued for *December 31 1980 as the correct* date, yesterday urged the court to uphold the arbitrator's finding.

The significance of the frustration date is its effect on the amount of hire due from charterer to shipowner: the *earlier the date the less the* outstanding hire.

The monthly rate for the Wenjiang was $183,827. International Sea Tankers paid up *to the end of September 1980,* on the basis of the arbitrator's finding it owes about $367,000.

The Wenjiang case is the second dispute over the trapped ships to come before the courts. It was one of four cases in *which arbitrators chose* different frustration dates. One chose October 4, two November 24 and one December 9, 1980.

Last December, the Court of Appeal upheld the Commercial Court's decision to give International Sea Tankers leave to appeal against the Wenjiang arbitrator's finding. The appeal judges said there should be some uniformity as regards frustration dates. The proper *date in all cases in which the* facts were strikingly similar should be the one selected in the first dispute authoritatively ruled on.

Microchip application project extended

By Jason Crisp

THE GOVERNMENT is to spend £30m more to persuade industry to use micro-electronics —the microchip—in products and processes. The Micro-electronics Application Project (MAP), which has spent £50m of its £55m budget, is to be extended for three years.

The extra £30m is coming from the £130m innovation package granted to the Industry *Department in the March* Budget.

Mr Kenneth Baker, Industry Minister, said yesterday that still only a third of manufactur*ing companies were using or* planning to use the microchip in products or processes.

By the year's end the £55m allocated to MAP would almost all have been committed, he said, and, to ensure continued momentum a further £30m had *been allocated. This would allow* MAP to continue at a high level of activity for another three years.

The scheme began in 1978. Funds are used generally to raise awareness of the microchip, to fund consultants to *examine applications for com*panies and to aid development programmes.

MAP paid for 160,000 to attend events designed to make them more aware of the microchip. About 30,000 training places were created with MAP aid. More than 2,000 consultancies were completed with *MAP help. More than 800 com*panies were offered help in development projects.

About half the companies offered grants employed fewer than 110 people. *Of the £50m* spent, £12m was on awareness and training, £7m on consultancy fees and nearly £32m on development grants.

Lending by clearing banks rose £2.84bn last month

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

LENDING by the major banks *soared in October by £2.84bn* according to figures published yesterday by the banks. However, a *large* part of the increase was attributed to the effects on *the banking system* of the over-subscribed offer of shares in Standard Telephones and Cables.

After allowing for this distortion and for seasonal influences on the lending figures, the Bank of England is expecting the *underlying increase* in lending for the month to mid-October will be something over £1bn.

This would *imply* an *increase* for the total banking system of perhaps £1.5 to £1.7bn for the month, although the estimate is unusually tentative this month.

For the same reasons, the Bank's preliminary estimate of monetary growth for the month is subject to a wide margin of error.

Even so, it now appears that sterling M3, the broad measure of money, which includes bank deposits requiring notice for withdrawal, is now at the top *of its* target range. In the *last* Budget, the Government set a range of 8 per cent to 10 per cent growth for all the monetary aggregates. Between February and October, sterling M3 has been growing at an annualised rate of 11½ to 12 per *cent, while M1, the* narrow measure of money, has grown at a rate of 9½ to 9¾ per cent.

The broadest measure, PSL2, which includes deposits with *building societies as well as* private sector bank deposits has been growing at an annualised rate of 9 to 9¼ per cent.

Yesterday, the Government published its provisional estimate of its borrowing requirement for October, which was *£927m.*

This brings to £6.55bn the *total central borrowing require*ment for the seven months to October. The Treasury says *this* is "consistent with" its latest forecast of a total public sector borrowing requirement of £9bn for the financial year.

UK NEWS

Manchester Steel doubts remain

BY NICK GARNETT, NORTHERN CORRESPONDENT

THE FUTURE of Manchester Steel is still in doubt following a visit yesterday by board members of its Norwegian parent company.

Mr Erik Lundgaard, executive vice-president of Elkem, Manchester Steel's Oslo based owner, said yesterday in Manchester that the board's visit to the British company's two sites was designed to provide first-hand information with which to evaluate two proposals put forward.

One proposal from a consortium of British steel makers involves the closure of the two sites at Manchester and Bidston on the Wirral in return for cash compensation of about £16m. This would be carried out under a Department of Industry programme for private sector steel rationalisation which could involve the Government paying up to 25 per cent of that cost.

The other proposal, from local management and the workforce is a cost saving programme including the loss of 170 of Manchester Steel's 810 workforce. Mr Ken Knaggs, Manchester Steel's managing director, said he would be looking for savings of £2.5m to £3m over the next year.

He warned that no independent steel-maker could survive in Europe unless something was done on subsidy pricing and unless price falls were stemmed.

Manchester Steel is one of the most efficient steel making operations in Britain but its management says high productivity has not compensated for the huge subsidies paid to government-supported steel makers in Europe.

The selling price for bar and rod in October was about £170 a tonne. It has fallen by £30 a tonne in the past few months. Over a year this fall is equivalent to £7.5m for Manchester Steel.

Mr Knaggs said one producer in Europe, outside the Common Market, had been receiving subsidies of £50 to £60 a tonne.

Mr Lundgaard, chairman of Manchester Steel, said the board got a "very good impression of the plants yesterday and was impressed with their efficiency and effectiveness. His personal hope was that the company—the largest operation among about 40 owned by Elkem in Europe and North America—would stay in business.

The Elkem board has not yet opted for one of the proposals. Mr Knaggs said the feeling on the board was "finely balanced." Alkem's decision hinges on the nature of the consortium's offer and its valuation of counter-submissions

Mr Lundgaard said the consortium's offer was a serious one and only two or three points mainly relating to legal issues had still to be clarified.

The Department of Industry has not seen detailed proposals and there is a cross-party group of MPs, including Mr David Hunt, a Government Whip, MP for the Wirral, which is trying to persuade senior government ministers not to fund Manchester Steel's closure.

The department is committed to assisting the rationalisation of private sector steel where it believes market forces would do the same in the long run.

There has been a persistent rumour that Sheerness Steel—one of the three consortium companies—has been reluctant to provide money for the consortium proposals. A further rumour is that British Steel, which is directly involved in the consortium's proposals through its joint ownership of Templeborough Rolling Mills, has persuaded Allied Steel and Wire to improve its part of the funding offer.

Mr Knaggs has told Elkem that Manchester Steel could break even next year with the savings already identified and providing the steel price does not drop below current levels.

Mr Knaggs said part of the problem in the steel industry was that some producers had bent the EEC quota system, and there had been a misjudgment of the future size of the market place

Guernsey campaigns to attract light industry

By Anthony Moreton, Regional Affairs Editor

GUERNSEY has launched a drive to attract more light industry in an attempt to counter rising unemployment caused to a large extent by declining activity in its horticultural sector.

Conseiller Roydon Falla, chairman of the island's department of commerce and industry, said in London yesterday that the first aim would be to attract industry from the UK. Next year it intended to seek to attract companies from the U.S.

Guernsey is a tax haven, levelling all taxes at a standard 20 per cent and has no capital taxes. It would particularly like to attract more companies from sectors such as electronics and pharmaceuticals.

"We would like high-value-added concerns which are compatible with our economy," Mr Bruce Riley, director of the department stated. "We are certainly not looking for a motor industry or a foundry industry or anything like hat."

Guernsey has seen a sharp rise in unemployment in the past year. At the end of September—it computes the figure quarterly—there were just under 1,000 people out of work, 3.5 per cent of the population. This may seem low compared with the UK but like neighbouring Jersey, Guernsey has been used for years to a rate only a little over zero.

The horticultural sector, traditionally the largest employers, has been hit by the rising cost of fuel oil, fierce competition from Dutch tomato growers.

The increase in the rate of inflation has been slowing in Guernsey as in the UK, and now stands at 7.3 per cent.

Guernsey has had a small but viable manufacturing sector for at least 25 years and now has some 40 concerns. One of the first companies to arrive was Tektronix, subsidiary of a U.S. electronics concern, which arrived at the end of 1958 and now employs over 500.

Lack of bureaucratic interference and an uncomplicated legal framework, were other reasons cited by Mr Falla for concerns to consider location in Guernsey.

TSB double mortgage portfolio in bid to increase loans by 75%

BY WILLIAM HALL, BANKING CORRESPONDENT

BRITAIN'S Trustee Savings Banks (TSBs) are to nearly double the size of their home mortgage portfolio to £900m over the next 12 months as part of a plan to increase their total loans outstanding by about 75 per cent to just over £2bn by November 1983.

The growth of TSB lending is substantially faster than in the current year, when the overall loan portfolio (excluding UDT) grew by about a quarter. The expansion is part of the plan to develop TSBs into fully fledged commercial banks which is expected to be completed by 1985.

The Treasury has regulated where the TSBs can use their funds but these restrictions have ben gradually lifted over the last few years. The TSBs were allowed to move into personal lending in 1977, mortgage lending in 1979 and commercial lending in 1981.

The speed with which the TSBs have been allowed to expand their lending has been slower than they wished in certain areas, particular mortgages.

Although they were one of the first to begin competing with the building societies on house loans, they were forced to curb their activities last year because they ran up against Treasury ceilings on their outstanding mortgage limits.

There appears to have been some unease in official circles that too much money was being channelled into house lending at the expense of industrial borrowers.

During the year to November 1982, the TSBs limit for outstanding home mortgages was £450m, a growth in lending in the year of about £190m. Earlier this year the Treasury increased the TSBs ceiling to £600m. This has been increased to £900m by next November.

The agreement on the TSBs mortgage lending is part of an overall agreement with the Treasury, finalised last month, on the scale of new neding in the TSBs' forthcoming financial year.

The TSBs have also been given permission to increase their personal lending book (excluding mortgage and UDT) by about a third, or £100m, to some £400m over the next 12 months. To date they have made over 1m personal loans. Trustcard lending is budgeted to rise by about a third to over £50m.

The TSB's newest venture is in the wholesale commercial lending market where £300m has been earmarked for the period to November 1983. Permission has been given to lend an extra £150m in the period to November 1984.

The substantial expansion in TSB lending in the coming year will increase the competition for the big clearing banks, especially in the retail banking market, where the TSBs are being accepted as increasingly aggressive competitors.

Car production levels recover in October

By John Griffiths

CAR PRODUCTION recovered quite sharply last month from the depressed levels of September, according to provisional estimates from the Industry Department.

The seasonally-adjusted output for the month, 79,000 units, compared with 60,000 in September, reflects the three-week halt in BL Metro output in September and the subsequent build-up of Ford Sierra production.

Output remained well below the 91,000 units of October last year. In the first 10 months of this year it was running 8 per cent below last year's level.

Commercial-vehicle output fell from the high September level of 26,400 to 23,700, seasonally adjusted. It remained above the October 1981 level of 20,900, however, and higher than that recorded for much of this spring and summer.

This year output is running about 19 per cent above the 10-month level recorded last year, although 1981 was the worst for commercial-vehicle sales for 30 years.

Fleetwood enterprise to develop fishing industry

BY IAN HAMILTON FAZEY

A COMPANY is to be set up in Fleetwood to develop the town's fishing industry. This follows an agreement this week by the owners of 100 Icelandic trawlers to land their catches at the Lancashire port.

The county council's service company for industrial development, Lancashire Enterprises (LEL), is to spend £87,000 buying 51 per cent of the equity in a new organisation, the Lancashire Fish Handling Company.

The company will have £50,000 to call on from LEL to subsidise fish merchants so that they can continue to buy fish should prices fall below those Fleetwood has guaranteed to the Icelandic owners.

The mony will earn interest for LEL when not needed. If it is used, the merchants will have it interest-free for six weeks, but will then have to pay it back.

Details of the Icelandic agreement, given yesterday by Mr Owen Oyston, the businessman who led the Fleetwood delegation, show that fish landings at the port are going to reach levels not seen at the port for many years. Landings by British trawler owners had become so sporadic that records were not kept. British owners withdrew from Fleetwood altogether last summer, threatening 2,000 jobs.

The agreement initially involves 43 Icelandic trawlers, which will unload at the port at a rate of two a week for the first six months. More trawlers, and a rate of three a week, will follow. Each trawler will land 1,200 kits of fish. A kit weighs 10 stone.

Part of the deal is a new handling price per kit, arranged by the port. The price of £3.95 per kit undercuts Fleetwood's main rivals, Grimsby and Hull, which charge more than £4.

The Lancashire port also saves the Icelandic trawlers at least two days' to sailing to the East Coast ports.

LEL is also to go into a joint venture with leading merchant, Mr Ken Hayton, to expand fish merchandising rapidly in UK markets. The Fleetwood industry is uniting voluntarily behind the initiatives in the hope of creating more jobs, not just saving existing ones.

Mr Oyston is leading another delegation to Brussels today for talks with EEC officials on Fleetwood's strategy. The new initiatives will be designed to maximise any EEC grants available.

Setback to bid for De Lorean cars in U.S.

By Paul Taylor in New York

CONSOLIDATED International, the Columbus, Ohio-based liquidation company which wants to buy the Belfast De Lorean car plant, has suffered a setback in its attempts to acquire 849 De Lorean sports cars in the U.S.

A federal bankruptcy judge adjourned a hearing over Consolidated's bid for the gull-winged sports cars after a higher offer for the cars was made in court by lawyers representing Mr Charles De Lorean, the brother of Mr John De Lorean, the company's founder, and Mr Don Massey, a De Lorean car dealer.

Other creditors including Renault, the French car maker which supplied engines for the cars, also objected to the Consolidated offer.

Consolidated has agreed to buy 1,094 De Lorean cars from the UK receiver and has paid a "substantial sum" for a 45-day option to buy the Belfast manufacturing plant and restart limited production.

Last week Consolidated, a privately owned company, offered to settle a legal dispute over the ownership of unsold De Lorean cars in the U.S. with De Lorean Motor Company, the U.S. parent company

Islington employers face workers' 'charter' rules

BY TIM DICKSON

EMPLOYERS seeking financial help from Labour-controlled Islington Council in North London will in future have to meet the conditions of a newly revised "employees' charter."

Businesses wanting a share of the £610,000 which has been set aside for the current financial year by Islington's grants and financial assistance sub-committee will have to comply with the document, which contains the following points:

- "Union facilities" should be provided for employees.
- There should be no race or sex discrimination regarding job appointments and promotions.
- Extra jobs should be created by limiting overtime.
- Apprentices should be taken on.

Only 25 per cent of the funds involved come from ratepayers in the borough; the rest is provided by Central Government.

"Islington's biggest problem is unemployment. We, as a socialist council are not going to remain idle, and are going to use every single resource available to provide employment opportunities in the borough," Mr Talal Karim, employment and economic development committee chairman, wrote in Focus, the council's own newspaper.

"The sort of jobs we want to create will not be phoney ones for a few months here and there, like some of the Manpower Services Commission schemes, but real jobs based on popular planning on a long-term basis."

As part of a policy review, the sub-committee aims to monitor financial assistance to employers with a lot more careful scrutiny so that money is going to the right sort of people creating the right sort of jobs".

Assistance will also be increased to co-operatives, voluntary groups, and disadvantaged groups such as ethnic minorities.

Criticism of the council's approach was voiced yesterday by Mr David Hyams, the only SDP councillor in Islington following Labour's landslide victory in the May elections. "The charter is totally unrealistic in terms of the outside world," he said.

A council spokesman emphasised that the charter was only a guideline and was not intended to be "emblazoned in tablets of stone."

More funds for biosensor development

By David Fishlock, Science Editor

BRITAIN IS to fund more development of biosensors, the detectors needed to control biotechnology processes, as a result of the visit of a high-powered scientific mission to Japan last Spring.

The mission, sponsored by the Royal Society and the Science and Engineering Research Council, found a major government-inspired effort between industry and universities to develop advanced types of fermenter.

It found Japan strong in the development of sensors, a technology with special requirements because the detection equipment must often operate under sterile conditions, or measure factors never previously controlled.

The Science and Engineering Research Council is to encourage at least one academic centre in Britain to specialise in the development of biosensors of all types, as it found happening at the Tokyo Institute of Technology.

The Laboratory of the Government Chemist, a Department of Industry research establishment, has also mounted a research effort in biosensors.

UK NEWS

Broad reply to Megaw report expected soon from Treasury

BY PHILIP BASSETT, LABOUR CORRESPONDENT

THE GOVERNMENT is shortly to make its long-awaited response to the findings of the inquiry chaired by Sir John Megaw into a new system of pay-determination for 530,000 white-collar civil servants.

The Treasury, in about four weeks' time, will make a broad initial reply to the report of the Megaw committee. The report was published in July. Since then it has met with no formal government response.

It is not yet decided, however, whether the reply will take the form of a statement on Megaw or a letter of intent to the Council of Civil Service Unions.

What is decided is that the response will not take the form of an exhaustive, point-by-point reply to the 60 recommendations put forward by Megaw as a new system for settling Civil Service pay.

The Megaw findings broadly supported the Government's drive to relate Civil Service pay more closely to market forces and managerial requirements.

The Treasury reply will, instead, reduce Megaw's series of recommendations to about four broad areas of interest. It is intended that these should then form the basis of negotiations with the unions.

The whole tenor of the Government's reply will be an effort to start negotiations with the unions. This was seen by some union leaders yesterday, on learning of the imminence of an announcement, as a significant step towards the unions' position.

It is clearly recognised within the Treasury, however, that a Megaw-type settlement cannot be in force until the 1984 Civil Service pay deal.

The Government's statement on Megaw will be reinforced by an appearance of Treasury pay officials, in about five weeks' time, before the all-party Commons Treasury and Civil Service select committee. This committee questioned Sir John John Megaw himself this week on the inquiry's findings.

Civil Service union officials were made aware that ministers were starting to reach a firmer position on Megaw. Accordingly, CCSU leaders have agreed already to set up a formal negotiating machinery with the Government, should it prove necessary.

Meanwhile, union leaders have held several informal meetings with Treasury officials on Megam. The third of this series of meetings is due today. CCSU leaders there are expected to press the Treasury for further indications of the Government's likely position on the Megaw findings.

Youth scheme 'lacks sponsors'

BY OUR LABOUR CORRESPONDENT

THE GOVERNMENT'S new Youth Training Scheme could break down because of a lack of employers sponsoring places on the scheme, say union leaders representing employees in the Manpower Services Commission, which administers the scheme.

Commission officials are confident that the target for the first year of the scheme of 460,000 places can be met—and in particular the 395,000 employer-provided places which will make up what is known in the commission as Mode A of funding the scheme, the type which will apply mostly to employed young people.

As a pointer to this, the commission has now secured sponsorships of about 60,000 enhanced Youth Opportunities Programme places, which are in all but name similar to the mix of training and work experience to be offered by the Youth Training Scheme.

Though the commission had not met the target of 100,000 such places by September this year, the figure displayed a sharp upturn from the early August total of 35,000.

However, Mr Campbell Christie, deputy general secretary of the Society of Civil and Public Servants, which represents about 7,500 of the commission's 25,000 staff—mainly at executive and manager level—warned of the "likelihood that the YTS will break down in operation because of the tenuous commitment of employers" to the scheme.

The union officials were speaking at the launch of their society's alternative strategy for the commission

The document will be sent to the TUC members on the commission.

The alternative plan calls for a major increase in the funding of the MSC; licensing and eventual abolition of private sector job agencies; a rapid completion of the jobcentre modernisation programme; possibly merging the MSC and the careers service; and a reinstatement of the Industrial Training Boards which have been abolished.

Back to Work—An Alternative Strategy for the MSC; SCPS, 124-130, Southwark Street, London SE1.

Electricians to step up action at BBC

THE BBC branch of the Electricians' Union (EEPTU) is today expected to step up its disruptive action in the long-standing demarcation dispute at the corporation, reports David Goodhart.

The filming of a number of programmes has already been postponed by blacking action against six BBC studios following the suspension of 34 EEPTU members over the past three weeks.

The union, which is now in official dispute with the BBC, is claiming the right to control studio practical devices,fi such as wind machines. Electricians already power these devices, but they are controlled by "show-workers" who are members of the Association of Broadcasting Staffs and the National Association of Theatrical, Television and Kine Employees.

In January 1981 a TUC disputes committee judged that the "show-workers" should continue to control electronic digital scoring devices, but subsequent BBC guidelines confirmed that all other devices should also continue to be operated by ABS and Natke.

Engineers' right-wing majority challenged

By John Lloyd, Labour Editor

THE AMALGAMATED Union of Engineering Workers' dominant engineering section faces a challenge to its policy-making national committee which could upset the committee's right-wing majority.

The union's white collar section, AUEW-Tass, has alleged in the Chancery division court that the engineering section's decision to increase its membership of the national committee from 52 to 91, made early in 1980, is contrary to union rules.

It is understood that Tass will argue that the rules governing all four sections of the amalgamated union specify 51 delegates from 26 divisions. The engineering section recently increased the number of its divisions from 26 to 27, by splitting one into two.

Tass has claimed over the past two years that the increased size of the AUEW delegation to national conference has discriminated against its membership. Its effect has been to provide the engineering section, whose executive is solidly on the right, with a built-in majority on the committee.

Senior engineering section officials fear that success by Tass in the case—likely to be heard towards the end of this month—could end that majority, and lead to constant conflict between the policy-making body and the executive.

In court cases brought by Tass against the engineering section over the past 18 months, the white collar union has been able to halt moves to a full amalgation of the four sections, which has been sought by the other three.

This has had the effect of deterring other unions in the engineering industry from pursuing mergers with the AUEW

University rise

By Our Labour Staff

A PAY RISE of 4.25 per cent for 20,000 non-teaching university staff has been awarded by the Central Arbitration Committee.

It includes a £85 increase each time a grading point is passed. The National and Local Government Officers Association, the main union, says the rise is worth 5.5 per cent for the higher paid and 7.3 per cent for the lower. The present salary range is £3,836 to £7,473.

Power workers set high pay target

BY BRIAN GROOM, LABOUR STAFF

Leaders of the biggest manual union in the electricity supply industry decided yesterday on the outlines of a pay claim, underlining the extent to which the Government's anti-inflation strategy will be challenged.

The executive council of the Electrical and Plumbing Trades Union (EETPU) said it wanted pay rises to match the highest wage settlements in the public sector, along with earlier retirement and a cut in the 37-hour working week.

If the other three manual unions accept this, the 87,000 power workers will not only be trying to match the miners' 8.2 per cent to 9.1 per cent settlement on basic rates, but they would also seek to match the water workers' deal, if this turned out higher.

The linking of coal, gas, electricity and water industry pay rises is now an accepted feature of pay bargaining. But the water workers are seeking an increase relative to other groups.

Water unions want about 15 per cent more to bring them into line with the top 25 per cent of manual male earnings.

They have threatened a strike if they do not receive a satisfactory response from employers tomorrow.

The National Water Council will almost certainly try to achieve a deal which does not exceed the miners' award. But if water workers succeed in gaining a higher increase, the Government will be concerned at the prospect of a "leap-frog" claim from the power workers.

The power workers' claim will be decided at a meeting of the four unions on December 2, and submitted on January 6. The settlement date is March.

Present basic salary ranges vary from £5,383-£5,764 for an unskilled worker to £7,071-£7,517 for a top craftsman, with top foremen earning £8,133-£8,201.

This year 6.2-7.5 per cent rises in annual salaries were agreed after a threat of industrial action, but higher shift pay increases meant the real average increase was about 9 per cent.

Average earnings in the industry last April, according to the New Earnings Survey, were £153 a week for manual workers.

Tory unionists press for reforms

BY OUR LABOUR CORRESPONDENT

THE GOVERNMENT is being pressed by the leader of the influential Conservative Trade Unionists' group to make unions follow any legislation arising from its consultative Green Paper on internal union democracy.

The consultative document, expected to be published next month, will consider the issues of union leaders' elections, ballots before strike action and of changing the basis of political levy for the Labour Party.

However, Mr Tim Renton, CTU chirman and MP for Mid-Sussex, said last night that "the logic had been accepted" by the Government, after three years of heitation, that if unions refused to reform themselves, they should be required to make changes within a few years or lose their status as charitable societies which provides tax advantages.

Such a changew ould be a major alternation in trade unions' legal immunities. Despite Mr Renton's suggestion that the Government had accepted this position, it was understood on good authority within the Government that no such proposal will appear in the Green Paper.

However, the Government is much more likely to consider as part of the Green Paper another proposal by Mr Renton in his speech last night at the opening of a CTU meeting in Southwark, south London.

He suggested that unions would have to give computerised membership lists to the Certification Officer, to allow secret ballots to be held more easily and fully, and these would have to be annually updated.

On the election of officials, Mr Renton proposed five-yearly elections for union leaders, though this again seems unlikely for inclusion in the green paper.

A more acceptable proposal put forward by Mr Renton last night might be the idea that the drafting of strike ballot questions might be left to an independent authority, such as the Certification Officer. This would prevent such instances as the recent miners' ballot, in which the phrasing of the question linked two distinct issues.

At present the Government has no intention of rushing into legislation on the Green Paper, finishing up with a botched job and legislation which will not work, Mr David Waddington, Department of Employment Minister, said yesterday.

Employers urge guideline within EEC

BY BRIAN GROOM, LABOUR STAFF

THE Engineering Employers Federation is floating the notion of introducing a harmonised framework of trade union obligations within the EEC.

The proposal is at early, tentative stage, but if it became a viable option an EEC initiative could ultimately be seen as an alternative to reforming UK industrial-relations law.

The federation is concerned at the number of existing or proposed obligations imposed on employers by EEC laws without any corresponding requirements on unions or employees. It believes the balance should be redressed.

It put its case last night at a meeting with members of the European Democratic Group (Conservative Members of the European Parliament).

It is far from clear whether such a harmonisation would be possibl under the Treaty of Rome but the federation believes that at least a study of the widely varied practice in European countries should be undertaken.

The federation lists 15 possible union obligations for consideration, many of which are not yet included in British law.

These include agreement on conventions governing the taking of industrial action in essential services, or threatening individual life or public safety; accepting the sanctity of agreements; electing union officials and executives by secret ballot; and, consulting individual members before committing them to industrial action.

The federation argues that unions form effective pressure groups in shaping the policies of their governments. It says: "These governments, who are required to accept and implement European legislation, should be able to deal with unions which have equivalent status and obligations in their individual countries."

Union action at bank suspended

By Our Labour Staff

THE BANKING, Insurance and Finance Union has suspended its industrial action at Standard Chartered Bank for two weeks, and has proposed talks to end the five-week dispute over arbitration procedures.

Bifu had not received the bank's reply yesterday, and it was uncertain whether the bank would agree to talks at a sufficiently senior level to satisfy the union.

The dispute is over the bank's decision to end an agreement in which either party had the right to refer disputes to binding arbitration.

The union's industrial action has included selective strikes, overtime bans, non-co-operation with some new technology schemes, leafletting and marches.

Uneasy peace at BL plant

AN UNEASY peace was reached yesterday in the eight-day-old "swearing" dispute at BL's Cowley assembly plant, Oxford, allowing production of Rover and Ambassador cars to resume.

The 42 men at the centre of the dispute returned to work after a two-hour meeting with shop stewards, but shortly afterwards stopped work over a new issue.

They claimed management had refused a request for a shop steward to be consulted.

The dispute began with a row over bad workmanship. The workers later alleged that the plant director swore at them.

TECHNOLOGY

EDITED BY ALAN CANE

COMMUNICATIONS OVER MAINS WIRING IS BEGINNING TO COME OF AGE

Giants join the powerline message contenders

BY GEOFFREY CHARLISH

THE FACT *that two major* UK electronics companies, GEC and Thorn-EMI, have launched systems able to send information over mains electricity wiring must surely be a sign that the technique, previously a novelty, is coming of age.

Simple two or three channel systems—from Japan for example—have been on the market for five years or so. In March, Home Automation of Hoddesden, Hertfordshire (09924 60355) launched Ripul, a system that can address 16 locations *in a building from* any convenient place using a handheld infra-red transmitter of the kind used to control television sets.

The controller *is simply* pointed at a special sending unit plugged into a ring main socket, allowing switching or dimming actions anywhere in the house. In a commercial building, energy saving programs can be applied via a suitable programmer *or timer.*

A similar system has been developed by MK Electric in conjunction with Patscentre, the technology consulting group. Called *Response. It allows up* to 32 powered devices, plugged into special sockets, to be individually controlled from a keyboard/display unit.

This week, GEC Measurements of Stone, Staffordshire (0785 812111) is announcing a *system which draws on the* company's considerable experience in supplying electronic equipment for use in hostile electrical environments.

Called Mainslink, it is specifically *aimed at industrial* and commercial consumers and provides 16 channels for on-off switching. The transmitter, operated via a 16-switch console, is connected via single or three phase wiring to an unlimited number of receivers, *each of which* is set by a switch to respond to one or other of the 16 channels. Alternatively, the transmitter can be activated by a timer, or perhaps a maximum demand *controller.*

The "on-off" condition of the inputs to the transmitter is continuously scanned and the various controlled devices *get corresponding instructions* every three seconds.

A fail safe mode is built in; if no instructions are received by a remote unit for 30 seconds *or more, the receiver will set* itself to whichever state has been pre-selected by the user for such circumstances. In this way, central system failure can be *prevented, for* example, from removing power from crucial heating devices in a factory.

Mainslink also offers a monitoring unit which can be connected at a convenient point on the wiring. It is a receiver in *which the relay outputs have* been replaced by 16 indicator lamps showing the state of the 16 channels.

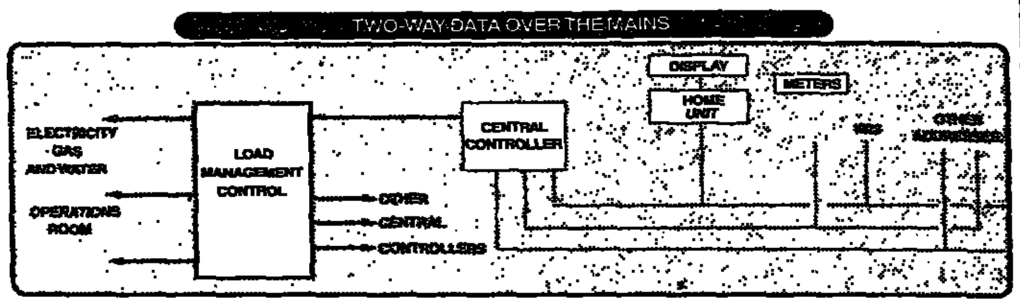
GEC emphasises the installation and expansion benefits of Mainslink. Obviously, no additional control wiring is needed and further control *units are added merely* by connecting at the appropriate point. Previously, such systems have needed pilot wiring, often at considerable expense.

Mainslink employs 16 separate channel frequencies between 40 and 90 kHz, high *enough to* prevent penetration through the supply transformer but low enough to prevent significant radiation and possible interference with broadcasting. *Tuned circuits select channels* in the receivers.

Some more details have also recently come to hand of a system called Mainsborne, which has been known to be under development in Thorne-EMI for some time.

Mainsborne is a somewhat more ambitious system than the others: its purpose it to give two way data communication between the suppliers of *electricity, gas and water and* their customers. The two main objectives are to read the consumer meters remotely and also to exercise some central control over consumption—an unknown proposition in this country at the moment, but used *elsewhere* to reduce demand during maximum demand periods.

TWO-WAY DATA OVER THE MAINS



Thorne-EMI's Mainsborne system allows meter readings to be sent over the mains from a consumer to a utility's data collection centre while load control signals can be individually ***addressed to premises in the reverse direction***

Designed by Thorne-EMI *Technology in Ashford, Kent* (0233 36845), the system is entirely digital and uses pulse repetition rates between 50 and 150 kHz.

Specially designed consumer meters are needed which produce pulses in proportion to the units used. The pulses are stored and when the meter is interrogated from a central controller, they are "read out" into the mains line.

To avoid starting big power station generators to meet a marginally increased load, electricity authorities would be able to selectively turn off high wattage devices *like* storage heaters and immersion heaters within premises, leaving the supply otherwise intact. In compensation, the consumer would probably be offered tariff advantages.

On a display, the consumer would be provided with meter reading data, *tariff* billing and budgeting information. In addition, he would be able to conduct his own load management operations.

The central controller can communicate via the mains with up to 1,024 addresses using individual, group or master codes. It also conveys data to and receives data from a load management control location over a phone line. The central controller *polls* the home units (at 200 baud) at pre-set times to read meters, clear the meter ouffer stores if necessary and collect statistical data that can be accumulated by the units. It also passes messages from the load management control centre to specific premises to effect changes of load.

The London Electricity Board, the East Midlands Electricity Board, British Gas and the Water Research Council are collaborating with Thorne EMI (which is managing the project) and the Department of Industry to conduct UK trials of the system. These will involve 1,000 house in Milton Keynes and London and will begin later *this year.*

Forming

Formflo automates cold rolling

THREE factors receiving close attention in investment programmes are material saving, machine productivity and flexibility. Cold roll forming techniques developed in the past decade can fulfil these requirements for annular components, and now Formflo, a Cheltenham company, has perfected an automatic process for the internal forming of outer bearing rings.

The OR105 machine can produce these rings of 50-90 mm diameter and 10-35 mm wide at the rate of about 220 an hour and with some 20 per cent material wastage compared with a more normal 50 per cent. An advantage is that the outside dust shield groove is formed without the need for grinding.

The machine represents a fundamental re-thinking of the whole concept of the internal forming of outer bearing rings, and a break with the earlier cantilever technique. At the heart of the OR105 is a floating centre frame supported hydraulically and incorporating two load and unload stations and the transfer shuttle which supports the die housings.

It is the only machine of its type using only two rolls in the process and a floor-to-floor time of 14 seconds is claimed, against a more conventional 24 seconds.

Formflo is part of *Metal Box Engineering* and is at Lansdown Industrial Estate, Gloucester Road, Cheltenham (0242 515386).

MOBILE RADIO COMMUNICATIONS

Computing for the travellers

BY LOUISE KEHOE IN SAN MATEO

THE SALES MANAGER walks into his hotel room and opens his briefcase. Inside is a tiny computer, the size of a paperback book, and a collection of *miniature computer peripherals* —a couple of black boxes, a little printer and a microcassette recorder.

He is ready to communicate with colleagues and customers around the world. He wants to *know what* happened to his company's share price. He needs that marketing report promised for today and must send a memo to his boss about a new *potential customer.*

Orders must be filed and an *urgent message sent to* the company's Tokyo office.

First, he unplugs the hotel room telephone and replaces it with a connection to a Modem (a box that links the computer to the telephone line). Next he removes the *hotel TV indoor* aerial and replaces that with another cable linked to a "TV adaptor" (another black box).

With the flick of a *switch he* is ready for work. Almost. Unfortunately, there are still a few hitches.

The scene described above is realistic, but so far only in North America. There are personal computers available in the U.S. which allow for simple, inexpensive global data com*munications; and they* will, the manufacturers promise, soon be available in Europe.

Because communications protocols vary from country to country, an *inexpensive (about* $500) portable computer designed to be plugged into a telephone in the U.S. will not necessarily work in Europe, or Asia.

In addition to his portable *computer the global* traveller must carry an acoustic coupler —a device with two cups that hold the telephone handset. This replaces the standard Modem, *and is claimed to solve problems* of incompatibility. It does not have the automatic dial-up features of a Modem, however.

Another difficulty is that most *portable computers* are so new that they do not come with ready-made software programs which allow the user to "log-on" simply to data bases, or to compose a message "off-line" and then transmit it. "Logging-on" to data bases such as the Source or Dow Jones is also in practice a process that is better *handled by a simple ready-made* program.

These difficulties can be overcome, and as sales of portable computers increase the independent software vendors are expected to produce programs that make them easier to use.

There are, however, a few portable computers already *available that come complete* with communications software. One is the recently-introduced Grid Compass computer, a briefcase-style unit designed *for executives.*

The Grid Compass comes with a built-in Modem that allows it to communicate with other computers through public phone lines or dedicated lines. Priced in the U.S. at $8,000, it is not cheap, but it offers features so far unavailable on other portable computers.

Grid Systems Corporation provides Compass users with their own communications service. Grid owns and operates a specially-programmed central computer, called Grid Central, whic services the individual Compass computers.

"*Grid Central is a central* software distribution centre, data storage facility and message system for Compass computer users," explains Mr Glenn T. Edens, Grid's vice-president of development.

Compass computer users can *access Grid Central over* standard telephone lines (within North America) to send and receive electronic messages and data, store information, or store and retrieve new software programs.

"Telesoftware," as it has been called, enables *personal* computer users to obtain new applications programs directly *over the phone line — an* increasingly important facility for users who use the portable computer not only as a terminal but also to perform data *manipulation or wordprocessing.*

A manager can access his company's large *mainframe* computers for data, work the information, unplug his Compass and carry it to a conference to discuss findings with colleagues —*or take work home—with data* stored in the system's non-volatile bubble memory.

Then the manager can plug the system back in and feed those results into the corporate database over standard tele*phone lines.*

An inexpensive hand-held *computer designed* for data communications is available for use in North America from a California start-up company called Ixo. The Ixo "Tele*computer" is intended* for the non-computing expert—the man who views the computer as an extension to his telephone.

Ixo president Mr *Jeffrey A. Rochlis sees six* key applications for the Telecomputer — field sales, electro*nic mail* and banking, public data base access, airline reservations and remote personal computing.

The Telecomputer is priced at around $500 in single unit sales, but Ixo is aiming it primarily *at corporate purchasers* who are expected to buy in quantity, and it claims that its product is the first to offer remote communication *with computers by means of* prompts and responses in plain English.

"The average businessman is as naïve about operating a *computer terminal as* the average consumer," the company says. "He must therefore communicate with a computer through a costly intermediary *terminal* operator — *specially* trained in accessing and operating computers, because until now no one has provided a direct and cost-effective person*-to-computer communications* solution.

"What Ixo is bringing to business computing is the data-processing equivalent of the *telephone.*"

Ease of use is made possible through single-button access to any host computer, and the potential to communicate with *the computer in plain English.* Like Grid, Ixo operates a central computer through which users' connections with other computers can be made.

As with other types of personal computers, the portables are expected to fall in price as the market expands. Future Computing Inc., a market research group in Richardson, Texas, predicts that the market for hand-held computers will *expand* at an annual rate of 78 per cent to exceed 2.5m units by the end of 1985.

A sure sign that the market is taking off comes from the *product plans of Hewlett-*Packard, IBM and Texas Instruments. HP introduced its HP 75—a unit initially aimed at technical professionals—last month, and both Texas Instruments and IBM are expected to announce portable computers *before the end of* the year.

The HP 75 hand-held computer has a price tag of $900. The company claims that it overcomes one of the common drawbacks of *hand-held* computers by providing a keyboard big enough for touch typing. It can *also* be plugged into larger HP computers for desk-top use.

Among the extra's to be offered with the HP 75 is an acoustic coupler that connects it to a *telephone* line. "*User*-defined keys" on the unit could be programmed to perform log-on *procedures,* the company says.

Aiming at a different segment of the mobile data communications market is MSI Data Corporation of Costa Mesa, California, which has announced a programmable *hand-held data entry computer,* the MSI 85. It can be used to collect data at a remote source and transmit it over ordinary telephone lines to a host computer for processing.

UK NEWS

Financing limit falls below NCB target

By Richard Johns

MODERATE AND guarded satisfaction was expressed yesterday by the National Coal Board over the external financing limits it is being allowed for 1983-84, up 17.4 per cent to £1.13bn, compared with £962m for the current financial year.

The steep rise, far in excess of a rate of inflation assumed by the Treasury to be 6.5 per cent, is largely to take account of mounting operating losses as well as the board's investment requirements.

Interim results for the April - September period released by the two least profitable of the NCB's 12 areas, the North East and South Wales, have indicated that losses from deep mining could be over 50 per cent above the £226m in 1981-82.

The external finance limit is understood to have been rather less than the NCB requested, a sum pitched at a level to absorb the 8.2 to 9.1 per cent pay award accepted last week by the National Union of Mineworkers. But it was described as in line with what was discussed with the Department of Energy.

The wide margin over and above the forecast inflation rate is explained by two other factors, apart from operative losses.

Some of this year's finance availability was rolled back to cover losses arising from labour disruption in February over pit closures, according to the NEB.

In addition, the allocation was increased to finance accumulated stocks of coal which at the end of September stood at a record 50m tonnes, including 21.2m tonnes held by the board.

In effect, the prospective deficit grant has been increased by £200m from a maximum of £380m to one of £580m.

Of the total £1.13bn allowed in 1983-84, about £550m has been notionally set aside as the social grant element partly to cover costs involved in redundancy payments and contributions to increased pensions. It compares with £530m for 1982-83.

In 1981-82 the NCB resorted to a deficit grant of £428.3m, £10m within the limit set by the Government.

Lip service budget only whets the appetite

BY MAX WILKINSON

A LARGE number of committee-member-hours have been spent in trying to persuade the Treasury to publish a "green budget" each Autumn containing a full set of tax and spending proposals for debate by MPs.

Monday's autumn statement was carefully revamped to pay lip service to the idea of a "green budget," but it left a great deal of curiosity unsatisfied.

Most leading city economists, for example, reacted yesterday with measured disbelief to the statement's forecast that only about £1bn will be available next March for tax reductions.

They all assume that Sir Geoffrey Howe, the Chancellor, has concealed a rabbit in his trouser pocket to produce for an admiring audience on Budget day.

Estimates of the value of the rabbit vary from an extra £1bn to £2bn, but almost nobody thinks Sir Geoffrey has given up all ambition to conjure some surprise from the figures.

The implication is that most commentators, including many well respected economists, do not entirely believe the Treasury's figures, although that does by no means imply they completely disbelieve them.

The fact is that the calculation of government borrowing requirements which form the basis of any Budget judgment are so imprecise that almost any figure can be justified within quite a wide range.

The Treasury's best estimate for the next financial year's borrowing requirement is, on its own admission, subject to a possible error of about £2bn, and this puts it in an extremely difficult political position when preparing anything approaching a "green budget."

Clearly, no Chancellor would wish to stand up in a possible election year and seriously disappoint everybody's expectations about his capacity to "be generous."

For this reason, the Treasury is almost bound to produce a highly cautious Autumn statement in which the figures are not a "central estimate," as they ought rationally to be, but are significantly skewed towards pessimism.

That is not a criticism of the Treasury: it is an inevitable consequence of the economic and political poker game which Chancellors are obliged to play, particularly near elections.

The question then is: What is the margin available within the limits of respectable forecasting? Or more plainly: What rabbits can the Treasury reasonably keep in reserve?

Probably the main areas of doubt are in the forecasts for oil revenues which were released with other revenue projections for the first time in an autumn statement.

In its current estimate, the Treasury puts oil revenues for 1983-84 at £7.5bn which is £1.5bn more than it was forecasting in March. It is also forecasting interest payments on the national debt will be £14bn against the £15.5bn estimated in March.

Those two changes would, by themselves, provide about £3bn of leeway for the Chancellor compared with what he might have been expecting for 1983-84 in March.

Another "cautious" assumption in Monday's statement was that next year's borrowing target would be set at £8bn against the £8.5bn assumed in March.

The Treasury justifies this reduction on the somewhat unconvincing grounds that it is keeping the ratio of borrowing to output at 2¾ per cent, the "key" figure published in the March Medium Term Financial Strategy.

A less esoteric explanation might be that the Treasury wanted to "talk down" expectations about next year's giveaway by £½bn while at the same time emphasising the continued tightness of financial policies.

Another "cautious" aspect of the figures is that they do not include any feedback effects from tax cuts into economic activity. Extra spending and production would itself improve the tax take and so add perhaps 20 per cent to the amount which the Chancellor could give away in the first place.

Thus, the £1bn "fiscal adjustment" announced on Monday could be added to perhaps £500m to be obtained from raising the PSBR back to £8.5bn, with perhaps another £500m from "better than expected" revenues.

This, together with feedback effects could give the Chancellor about £2.5bn to shower on the populace, roughly what most commentators have been expecting.

It seems likely, therefore, that the Treasury is shooting for about £2bn with a cautious fear that it could be less and a general expectation that it will not be as much as £3bn. Ultimately, of course, the decision is a political one. For that reason the figures in the Autumn statement have to be subject to political seasoning.

The idea that a "green budget" could be presented—or discussed — in a purely abstract and dispassionate way therefore turns out to be rather over-optimistic.

Reinsurers face close scrutiny

BY JOHN MOORE, CITY CORRESPONDENT

THE BRITISH-BASED reinsurance community and Lloyd's of London are facing an unprecedented degree of scrutiny by the regulatory authorities in the wake of the scandals at Alexander Howden Group and Minet Holdings, two of the world's largest insurance brokers.

This week, Dr Gerard Vaughan, the Minister for Consumer Affairs, told Parliament that he intends to introduce new regulations next month which will enable the authorities to monitor the activities of the wayward reinsurance community in more detail.

The world's reinsurance market has enjoyed virtually unparalleled freedom in international financial markets. Reinsurance, the business of insuring insurers, is an important adjunct to world insurance markets. Rather like bookmakers, the insurance companies and Lloyd's underwriters use the reinsurance market to lay off large parts of their portfolios of business and spread their risks.

When an insurance company arranges a reinsurance contract with a reinsurance company it pays over part of its premiums which it earns from its own business.

In return, the reinsurance company agrees to meet part of the claims which fall on the insurance company, subject to agreed limits.

Like the insurance company, the reinsurance company can arrange its own insurance programme, protecting itself against large losses. The reinsurance company arranges a reinsurance contract with another company, which will protect that reinsurer from onerous losses.

So the world's insurance risks are spread through a wide range of companies, who are all agreeing to pay small parts of any large insurance claim. The reinsurance networks have become so complex in recent years that there is now widespread concern about the reliability of some participants in any such chain.

The reinsurance market is a $40bn industry attracting a wide range of operators, from the highly respectable reinsurance companies, which are soundly based, to the many others who have been attracted to it.

Moreover, the lack of regulation in financial centres for the reinsurance community has meant that the freedoms of the market are often abused. Large sums of money which form part of the security of the reinsurance chain have often been syphoned off and used to finance non-insurance business ventures.

The market has occasionally been used as a device to launder "hot" money secured from other less legitimate business activities by a number of participants.

Recent scandals in London have shown that it is quite possible for insurance brokers to channel money designated as "reinsurance premiums" to offshore companies which are secretly beneficially owned by directors of the broking firm.

United Kingdom insurance companies, said Dr Vaughan in Parliament yesterday, make extensive use of the capacity of overseas reinsurers, many of which are not authorised.

Dr Vaughan said that it is essential that this practice should continue in order to ensure a satisfactory spread of risk and to avoid a dangerous concentration of UK risks.

Reinsurance companies will have to disclose the identity of the companies who provide them with 5 per cent or more of their business. If a reinsurer insures a proportion, or fixed share of his own business, amounting to 2 per cent or more of his gross premiums then he must disclose the identity of the company with which he has insured his business.

If a reinsurer protects himself on a risk by risk basis with another reinsurance group which amounts to 5 per cent or more of his gross premiums then he must disclose the identity of the company with which he has arranged protection.

Howe 'too cautious' say brokers

BY ROBIN PAULEY

CITY ANALYSTS and economists were unanimous yesterday that Sir Geoffrey Howe was maintaining his fiscal squeeze and being exceptionally cautious about the spring Budget giveaway, which they say is likely to be at least £2bn rather than the £1bn mentioned in his Monday statement.

They used words such as miserly, frugal, parsimonious, and overly cautious in their reviews of the statement and all agreed that the £1bn forecast for the spring giveaway is deliberately low as an attempt to lower expectations.

None of the brokers expected the giveaway to be less than £2bn and many opted for £2.5bn or £3bn.

Dr Paul Neild of Phillips and Drew, noting that the Government's fiscal squeeze continues, said the package boosts economic activity by no more than ¼ per cent and depresses inflation by only ¼ per cent.

He estimated the scope for fiscal readjustment at £2bn in the spring but even then agrees with the very gloomy revised Treasury forecast of only about 1½ per cent growth in real GDP next year.

He agrees with 5 per cent inflation as a forecast for spring but disagrees that it will still be there at the end of 1983, thinking 5½ or 6 per cent more likely.

"The question was whether the Chancellor could boost economic activity even if he tried. He seemed destined to make the attempt in a modest way but in the event failed to do so," Dr Neild said.

He also cautioned that this Government had always tended to deliver less on the fiscal front than expected and might continue to do so.

Mr Gavyn Davies at Simon and Coates said there was very little net gain either for employers or for the economy as a whole in the Chancellor's statement.

He expected £2.5bn in tax cuts in the spring comprising £2bn off income tax through a 1p cut in the basic rate and a rise in personal allowances of 12 per cent, substantially above the rate of inflation. The rest would go on further help to industry through another cut in the National Insurance Surcharge.

He thought the Government was unduly pessimistic about prospects for growth (1.5 per cent in 1983-84) which he thought was more likely to be 2.5 per cent. The Treasury's fore target PSBR for next year of £8bn compares with Mr Davies' forecast PSBR of £5.8bn on unchanged policies, leaving more than £2bn for the budget giveaway.

Brokers Messel agreed that the statement's PSBR projections were unrealistically high and that the Chancellor would be able to add a further £1bn to his projected £1bn for the Budget fiscal adjustment (tax giveaway) while maintaining the Medium Term Financial Strategy.

Messel agreed with the Chancellor's inflation estimate of 5 per cent in the spring and still about 5 per cent at the year's end. But they felt his estimate of growth of 1.5 per cent was unduly cautious and themselves estimated 3 per cent.

The consumer spending boom would probably be enhanced by further interest rate falls and tax concessions in the Budget so consumer spending might grow by 4 per cent in 1983-84 rather than the Government's 2½ per cent estimate.

Grieveson Grant estimated that there would be a giveaway of £2bn to £3bn in the spring, indicating an autumn rather than a June election. Bank base rates could be down to 6 per cent by early sumer and although agreeing with the Chancellor that inflation will be down to 5 per cent by the spring they do not expect it to stay there, predicting 6 per cent by the end of 1983.

Brokers James Capel refer to the statement in terms of fiscal frugality and frail recovery. In an exceptionally pessimistic forecast they say the Chancellor is being overly cautious about his scope for a spring giveaway which should be as much as £2.5bn to £3bn.

Government sets £8m cash limit for BA

By Lynton McLain

THE GOVERNMENT has set British Airways an almost negligible external financing limit of £8m for 1983-84, but one which is higher than the EFL in the current financial year. This reflects the collapse of the self-financing ratio by the airline in 1981-82 and the end of BA's current investment programme in new aircraft.

The external financing limit of minus £8m for the current financial year involves a contribution by the state-owned airline to the Exchequer and compares with the total EFL for the last financial year (1981-82) of £154m.

This larger figure included £53m to cover the costs of a scheme involving the voluntary redundancy of over 9,000 and reflected the latter stages of BA's aircraft re-equipment programmes.

The first Boeing 757 for British Airways will be accepted on January 25 and is expected to arrive at Heathrow Airport on February 3. Other deliveries of the 757 will be made over the next three years.

Finance for this programme has mostly been arranged. Money for the Boeing 757 accounts for a large part of all BA capital borrowings totalling £1,011m at the end of the last financial year and which caused the airline to pay interest charges of £111m in 1981-82.

Capital debt is expected to continue around the current level for the "next five years to 10 years," BA said yesterday. The airline does not intend to buy any other new aircraft.

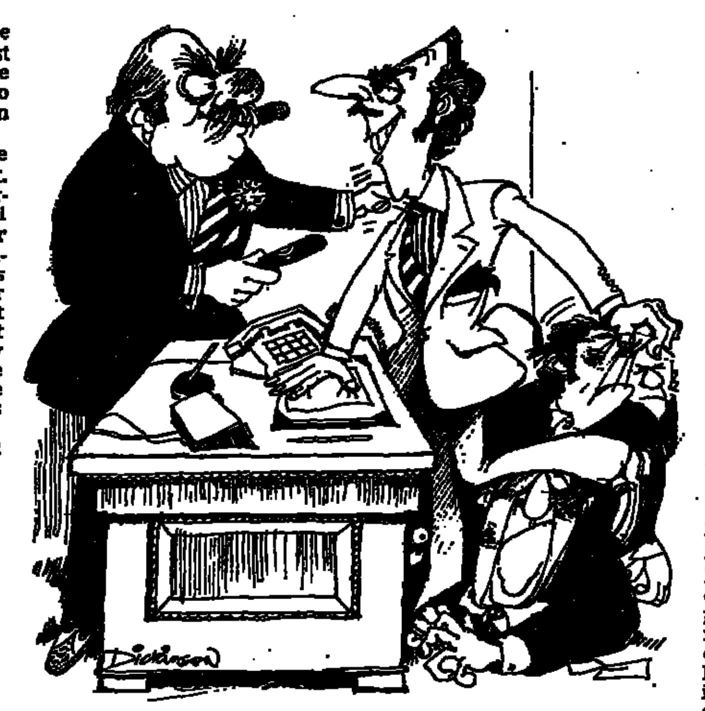
The programme for the purchase of 28 Boeing 737, short-range aircraft has been completed. BA has released cash by leasing two of its undelivered 757 aircraft to Air Europe.

The overall effect of the financing for the two re-equipment programmes is the need for only a very modest limit on external financing in the next financial year (1983-84).

In the five years to 1981-82, BA self-financed 34 per cent, its capital requirements internally.

'Have you discovered what they do in that department anyway?'

Michael Dixon on the world of office politics



"OFFICE politics" are evidently dirty words to most managers. They hardly ever use the phrase in public except to communicate one of three main varieties of distaste.

Two of these are largely the preserve of middle management. Which variety is being expressed at any one time will depend on whether the speaker is losing or winning in the internal political war. The losers metaphorically gnash their teeth at a process they interpret as needless and harmful. But even the winners usually wrinkle their noses at the thought of gaining by a device which, although unavoidable, is degrading and impolite.

The third way of expressing distaste is used by executives high enough in the pecking order to feel that their job is secure. They tend both to avert their eyes from the lower level manoeuvrings in their own company and to point scornful fingers at the intrigues going on elsewhere.

If managers were not so superciliously disdainful of organisational politics, the Independent Assessment and Research Centre might well have been less pussyfooting when it chose the title for the two-day seminar it starts in London today. The chosen title is "Strategies for Effective Management," which suggests strategies of the financial, marketing and technological kind so commonly chewed over at managerial conferences. But the topic really under discussion will be very different.

For the seminar will concentrate firmly on the skills of internal politics and be led by one of the few people who openly admit to being expert in the field. She is Dr Virginia Schein, who taught management at Yale and the Wharton Business School in America before committing herself to her own consultancy practice.

Dr Schein's attitude to the manipulation of company political processes resembles that of an experienced biology teacher to the performance of natural functions. She simply cannot see what there is to be coy about.

No matter how rational the organisation chart or candid a company's self-image, she maintains, its managers continually have to work against political opposition. To be effective, especially in changing the status quo, they must know where their power-bases lie and how to exploit them even to the extent of wilfully deceiving such cherished colleagues as are likely to frustrate their aims.

Power bases come in seven main forms. Each has dangers as well as advantages.

One is expertise, or being seen by the company however myopically as the person who can cope with some kind of crisis. Expertise can be particularly exploitable if it is supposed to lie in something the company has newly recognised as an opportunity or problem.

But experts themselves often over-reach their strength, for instance, by coming on too strong with the jargon. And even when they don't they are open to undermining by colleagues. The only staff member able to cope with this, that or the other is easily represented to the boardroom as overworked and deserving the aid of external consultants under somebody else's control.

Dr Schein's term for the second power-base is "assessed stature" which boils down to having a general reputation as a winner. Its flaw is that, like the rainbow, it comes and goes. It can be established by deftly publicising personal successes. But it never ceases to be menaced by the near impossibility of keeping secret the inevitable failures.

The third base, credibility, depends much on achieving prominence outside the employing organisation through such vehicles as professional bodies, local government and charitable works. The snag is that the value set by the company on an external activity is determined by the prevailing tastes of top management, which is liable to change. What was credibility last night may be absurdity this morning.

Admiration

Power can also be attracted to mobility, or the possession of skills readily transferable to another post. But beware of communicating it too obtrusively lest the admiration of seniors should turn to anxiety about their own positions. Moreover it may be wiser to stay in the same line of work and just be assumed to be more generally capable than to accept a transfer at the risk of being exposed as the reverse.

Another base is control over information obtainable by supplementing internal contacts with any external sources able to supply data which few, if any, fellow employees are likely to possess. The intelligence so gained can be sat on or passed on, in either accurate or distorted versions, as circumstance and conscience dictate.

The trouble is that such control is less and less feasible given the onset of advanced technology which requires incoming data to be diffused through organisations more widely than ever before. That is no doubt why executives responsible for installing new information-processing techniques in their companies were found by a recent survey to expect as much resistance from their colleagues in middle and senior management as from trade unionists.

But the remaining two of Dr Schein's power-bases seem less liable to crumble beneath the feet.

One is political access, attained by cultivating an undergrowth of friendships through tit-for-tatting with employees in other sections, no matter how lowly their rank. An undercover agent in even a minor post in a neutral department might well swing its support crucially in case of need. Informal links also greatly increase one's prospects of discovering what's really going on.

The danger is that such tit-for-tatting may get managers seen by their immediate subordinates as friends to everyone, and so deny them the seventh power-base—group support. It consists in having the manager's whole domain united in unswerving pursuit of his or her important aims. And the best way of achieving that would appear to be convincing everybody in one's own department that the rest of the organisation is plotting their ruin.

When the appropriate power-bases are established, they can be exploited in 10 main ways.

One is by developing formal links with whichever other departments are germane to one's scheme. Well advertised existence of ostensibly open communication can deter opponents from trying on isolating tactics. Many a manager's pet project has been strangled in the cradle by an adversary's muttering to an influential but disconnected third party: "Have you ever discovered what they do in that department anyway?"

The next is to present a conservative image. Enthusiasm needs but a little unwanted aid to be interpreted as lunacy. It is best to phrase important proposals so that they appear only a modest adjustment to the status quo, and concentrate on their unimaginative aspects, such as the prospect of financial benefits to all.

The third is to bring any identifiable opposition into the open. If it is frankly and visibly invited to air its views at a meeting of all concerned, its strength can often be dissipated.

Dr Schein calls the fourth tactic "allying with powerful others." But she does not mean only the obvious step of courting the advance approval of top management. She also means taking time to "understand" the problems of key staff on the same level or lower elsewhere in the company.

From that follows naturally the next dodge of spearheading one's own proposals with measures ostensibly intended to lessen the difficulties of others, especially if these are trivial. To paraphrase the Rugby maxim: Get your reciprocation in first.

Striking while the iron is hot comes sixth, because the successful politicking of one project can often ease the passage of another.

If the subsequent scheme has previously proved unacceptable, the tactic of "using a neutral cover" can be particularly useful. Many controversial schemes have been carried through by camouflaging them as natural consequences of one that has just been approved.

An allied aid may be to limit communication about the plan. Whereas its full form might call forth determined opposition, unveiling it piecemeal in apparently self-contained parts could well get it through on a series of nods.

Or it might be better to use the ninth tactic—research. This consists of setting up a study of the project and so producing "hard data" which, whenever practicable, should be true. But either way, discussion of it with others should be introduced with the words: "Well, here's the evidence. I'm not inclined to believe all of it myself. But we can't just ignore it, I suppose?"

But if after all the effort of presenting a favourite scheme the manager meets with strong competition for leadership of its further development, Dr Schein thinks it is often best just to withdraw and always so if the outcome is at risk. Of all the ways of preserving a power-base, few are better than leaving others to fight for the right to catch a tartar.

BOARDROOM BALLADS

THE CHINA SYNDROME

Business leaders in the West,
Occasionally find it best
To keep their cards close to their chests,
To guard their future interests.

★

And so their formal statements throw
Less light on how they plan to grow,
Than what their travel agents know
From where they've been or plan to go.

★

When chief executives migrate,
Their destinations designate,
More surely than the hand of fate,
The markets they anticipate.

★

Right now, on Jumbo-jet and liner,
They're cramming every bar and diner,
From London, Bonn and Carolina,
On the pilgrimage to China.

★

The presidents are dropping in,
Like plagues of locusts on Peking,
And toasting, with embarrassed grin,
Their hosts in Pidgin Mandarin.

★

Directors, who can scarce recall
Occasions when they walked at all,
Are on the mandatory crawl,
Up and down the China wall.

★

Blistered feet are but the price,
Like using chopsticks with their rice,
To melt the oriental ice
And guarantee the gains suffice.

★

Where Marco Polo first began as
Advocate of Western manners,
They're off to wave their business banners,
Egged on by their corporate planners.

★

It's not so long ago they ran
Like leaping lemmings to Japan
And, just before, the caravan
Was mainly moving round Iran.

★

This time, let's hope they've got it right,
With decent dividends in sight . . .
Meanwhile, where chairmen choose to fly
May tell us more than meets the eye.

Bertie Ramsbottom

Next week: Two way flow

BUSINESS PROBLEMS — BY OUR LEGAL STAFF

Fund-raising and tax

I am a member of a small trade association whose income is derived from membership subscriptions and the sale of trade publications. Total outgoings are very close to total income: usually there is a small surplus, but at present there is a deficit carried forward.

The Association has purchased the freehold property in which the headquarters offices are situated, the purchase being financed partly by a mortgage and partly by unsecured loans from members, some of which bear interest and some of which were specifically offered free of all interest but repayable on demand.

The Association is making every effort to repay the loans and branches and members are encouraged to mount fund-raising activities such as raffles, dances, "bring and buy" sales, etc., as well as accepting special donations.

The question arises whether the income from the fund-raising activities and donations (which is wholly devoted to re-paying loans) forms part of the Association's general income, thereby increasing liability to Corporation Tax or reducing tax losses carried forward?

I find myself in disagreement with the Association's auditor over the treatment of this special income, which is entirely voluntary and can be assumed to be derived from the pockets of members and their friends and not from the business. What, please, is your view?

Activities in the nature of trade are within the scope of Case I of Schedule D, subject to the strictly limited extra-statutory concession for occasional jumble sales, bazaars, carnivals, etc., organised for charitable purposes. You should ask your local tax inspector's office for a copy of the free booklet of extra-statutory concessions (IR1), and look at concession C5 in particular.

The tax net has been spread very wide by Parliament, and, although the Inland Revenue chooses not to carry out all Parliament's instructions to levy taxes, they cannot be too kind to anyone lest they be criticised by other taxpayers or by MPs.

Lien on shares

An ex-director of a private company who retired some years ago was permitted to retain the use of a company car. There was no question of the car being a gift to him. This ex-director died in 1980, but some time before that he disposed of the car, and did not account to the company for the proceeds realised.

The ex-director's executor has presented a petition to the High Court for the winding-up of the company on the grounds that it is "just and equitable." As a contributory on behalf of the deceased, he represents less than 15 per cent of the issued capital of the company.

The present directors claim that the ex-director's estate is indebted to the company for the value of the car and that in accordance with Clause 7, Table "A" 1929, which is incorporated in the articles of association, the company has a lien on these shares. Does it therefore follow that the executor's rights as a contributory to petition for the winding-up of the company are negated, in view of the existing lien on these shares?

No. Until the lien is enforced, e.g. by sale, the shareholder retains his rights as a member/contributory.

Estate agent's interest

It has been drawn to our attention that the Estate Agents Act 1979 paragraph 21 (1) states: "A person who is engaged in estate agency work and has a personal interest in any land shall not enter into negotiations with any person with respect to the acquisition or disposal by that person of any interest in that land until the estate agent has disclosed to that person the nature and extent of his personal interest in it."

This corrects the information given in Business Problems on October 20 that "the law does not require disclosure but your professional body might."

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

THE ARTS

Television/Chris Dunkley

Five points for Channel 4

After only one full week of broadcasting by Channel 4 several important things have already become clear. The first—and much the most significant and disheartening—is the relationship between the new channel and the Independent Broadcasting Authority. The IBA took the earliest possible opportunity to step in and slap down the staff of the new venture by making cuts in *The Animals Film* on only the third night of transmission.

As it happens the film would have been vastly improved by much bigger cuts, of 45 minutes or so, to reduce it to about 1½ hours. A good editor could have turned this rambling ragbag of mostly familiar propaganda into a sharp and appealing argument by cutting out the repetitions, tightening up virtually every section, and adding a few simple statements to the commentary. Admittedly that would not have solved the problem of the miserable monotone adopted by Julie Christie for *the narration*.

Nor would it have answered the main criticism: that the film howled out a confused series of *cris de coeur* about the treatment of animals without ever suggesting any alternatives. The logic of the work appeared to demand that we should all go around rescuing aphids from ants and wildebeeste from lions since it is morally indefensible for one *animal to exploit or consume* any other.

The film's shortcomings are quite insignificant, however, compared to the matter of censorship. In the build-up to the channel a few of us acquired the reputation of wet blankets by asking, every time a C4 chief promised "Innovation!" and "Distinctiveness!" how this was to be brought about when the channel would be subject to the very same rules as those constricting ITV.

Repeatedly we were told that since the government itself had asked C4 to produce something different the IBA would just have to apply the rules less rigidly to the new channel than the old. Now the hope of any such blind-eye policy looks very frail.

Admittedly the interference in *The Animals Film* is a lone example, but the speed with which it occurred after the birth of the channel, and above all the fact that the uncut version of the film is on public exhibition in cinemas suggests that the IBA fully intended their intervention as an early shot across C4's bows to show who is boss. It is a great pity, and for the viewer the whole business makes more urgent than ever the need to establish deregulated cable television in this country outside the control of the IBA and BBC.

The Animals Film is also one of the best indicators of the second fact to emerge from Week One: that Channel 4's *unique arrangement of "commissioning editors"* responsible for passing material through to transmission without the time to be either proper editors or executive producers may result in a lack of intellectual rigour.

Roger Rees, Emily Richard and Jane Downs in "Nicholas Nickleby"

To put it at its simplest: if as "publisher" you accept work offered by independent programme makers without yourself being involved in the making and without the chance to edit, then you may find yourself with some (perhaps much) indulgent and undisciplined material. Other examples in the opening week included *Deep Roots Music* which through sheer lack of programme making expertise managed to make a subject as lively as *reggae music seem tedious*.

Even *People's Court* could be seen as part of the same trend. This American series deliberately and quite literally reduces legal proceedings to light entertainment: litigants drop their court cases in return for a television fee and the chance to see their case "tried" by a wise-cracking judge in a studio. It might be argued that lack of control at executive-producer level is merely the price you have to pay for increased freedom of expression . . . were it not for the IBA ensuring that there is no such increase.

The third point, and a much more heartening one, is that—still judging from a single week's output of course—David Rose's "Fiction" strand is going to be one of Channel 4's great strengths. After the *hugely powerful Walter* on opening night we had Jack Rosenthal the next day on his best form since *The Evacuees* with another tale of adolescent agony in *P'Tang, Yang, Kipperbang* which was meticulously directed by Michael Apted. Then on Saturday came *The Magnificent One*, an unusual little fable or fantasy about a Samurai warrior arriving to save a Chinese shopkeeper in London from a protection gang; and on Sunday the start of *Nicholas Nickleby*.

Having been captivated by the original production at the Aldwych, judging it the second most memorable experience I had ever had in the theatre (Peter Brooke's *Midsummer Night's Dream* with the same company in the same theatre being the first) I had doubts about the transfer to television.

Yet an astounding amount remains, thanks partly to a powerful sense of ensemble effort among the cast—whose acting is consistently superb—and partly to Jim Goddard's direction which is gratifyingly free of clever-clever tricks yet always ready to *exploit television's special* advantages: close-ups, pans, mixes and so on.

Moreover, if the boasts about "fiction" are being more than fulfilled, the promises concerning diversity of alternatives are certainly not—not yet, anyway—and that is Point 4. Of course there are 51 weeks to go before the channel completes its first year, but the consistency with which the programmes of Week 1 have voiced the late *sixties* attitudes of the Guardian Women's Page is deeply omnious.

Take the example of herbicide 245-T. Every major current affairs programme in the Western world must have made a programme about the supposed dangers of this product; I have seen at least half a dozen, three of them in the UK. If diversity, new alternatives, and innovation are really your *watchwords there is an obvious* programme to be made: what are the supposed *advantages of* 245-T? What is the case that has been made out for it so strongly that despite endless assertions of its dangers farmers and local authorities continue to use it?

That was not the alternative chosen by Channel 4's new current affairs series *Twenty Twenty Vision* (a tellingly ludicrous choice of title which will be meaningless to the 95 per cent of viewers who don't speak American). They chose instead to make the same old programme about alleged *dangers . . . but to ban men* from the production staff and wind the current affairs clock back 20 years in order to put a reporter in vision so that we could see she was a woman.

The "*Comment*" spot within *Channel 4 News* was occupied on Wednesday by a woman—identified as a lecturer in politics, I think—who argued that if the principle of the Monopolies Commission was valid, then 51 per cent of MPs should be women and a proportionate number black. She is, it seems, one of those "modern" political lecturers who have never quite been able to grasp the principle of representative democracy.

And so it goes on. *The Friday Alternative* was devoted to complaints from John Pilger and Arthur Scargill about maltreatment by the mass media; a demand for VAT to be taken off "sanitaryware" (meaning tampons, it seems, not basins); and finally a comment from the announcer concerning the attempted assassination of members of the House of Lords that "Maybe Mr Fawkes was a good guy after all."

At the urging of the great John Mortimer in his excellent Granada Guildhall Lecture on Monday night I will support to my last breath the right of anybody to make fatuous comments of this sort (Mortimer did not put it quite like that, yet that is what he implied) but given that the left-wing / Guardian / feminist basket of attitudes was always disproportionately well represented in television, when is Channel 4 going to start the real innovation—the one that takes courage and doesn't impress Hampstead friends—the one that brings in the right-wing/Telegraph/macho basket?

Point 5 is that when *Channel 4 News* provides itself with those little rests which fold out from the arms of chairs in lecture theatres, the presenters will all put down their clipboards and relax and that will be a big improvement. I still have faith in their programme formula, and our own Elinor Goodman must be the best raw recruit that any television news programme ever had.

New York Opera

Sacred monsters at the Met

Max Loppert reviews the new opera productions in New York, including Idomeneo, transmitted on Channel Four last Sunday.

Luciano Pavarotti sang his first Mozart role, Idamantes, at Glyndebourne in 1964. Before the Metropolitan Opera announced for the current season its first production of *Idomeneo*, and transferred him to the title role, it remained his only one. First announcements of the cast had caused a certain amount of head-shaking: for the opera — which many people consider the peak of 18th-century serious opera (a point cogently argued by David Hamilton in the Met programme)—is not a convenient vehicle for the projection of *tenorial superstardom*, nor in particular is its eponymous hero, one of the most finely wrought senior figures in the repertory.

By the sixth performance of the run, which I attended earlier in the month, fears for Mozart, Idomeneo, and the propriety of the celebrated singer *himself could all be set at rest*. In this production Pavarotti has reclaimed for himself an *artistic seriousness, an intentness on* rising to a worthy occasion (rather than making himself the occasion), that one had begun to believe lost to him for ever.

The Glyndebourne schooling in playing the king's son served him well. For throughout the evening Pavarotti gave the impression of a close understanding of and concentration upon the opera's central issues; this was apparent in every inch of his bearing, in a plasticity of facial expression which has not always been counted one of his prime operatic attributes. He bore himself like a king, seriously, convincingly; and sang like one, with power, authority, and a natural command of the huge house.

It was in the singing, indeed, that the achievement flowered most remarkably. Complaint (such as I regularly make on this page, most recently after Wexford's Haydn) of the invertebrate delivery of recitative in most of today's 18th century opera performances shrivelled whenever Pavarotti took the stage—the famously clear diction, immaculate in its way of coupling the music to the dramatic impulse, provided a sharp reminder that eloquent utterance is a first, not a last requisite of classical style. The line, lying as it does in the ample middle of the voice, struck out with fire and force. Even in the simplified version of "Fuor del mar" an occasional explosive outburst came to punctuate it, but without *marring the noble effect of the* whole; and at the end of an evening that was long without seeming so, a most beautifully steady account of "Torna la pace" came to crown it.

The Met *Idomeneo*, though in the gigantic gilt-covered emporium it was a generalised musical grandeur that tended to *come across rather than the network of illuminating instrumental comment that miraculously informs it*, is an impressive whole. It is not a flawless one, but it supplies the opera, which even its most passionate admirers have known to lag and drag, a charge of vivid drama. The production, by Jean-Pierre Ponnelle in his own designs, had done the rounds of American and European houses (I reviewed its 1982 Zurich Festival appearance) before arriving in New York, enlarged *in scale and somewhat modified* in detail.

As before, it combines inventive 18th century stylistic appreciation with irritating leaps into a high romanticism of gesture prefigured—but no more than that—by this many-layered score. Electra, in particular, verges dangerously on caricature — and in Hildegard Behrens's exciting but unruly portrayal, the effect was vocal as well as visual. The producer regularly bends stage directions and musical sense. Yet the performance, even at its most encrustedly Ponnellian, is alive; it should leave nobody in doubt that this is one of the most substantial, psychologically and emotionally, of all operatic scores.

Ilia and Idamantes (properly a mezzo, in this very full edition of the first, Munich, version) were of smaller stature—Glyndebourne performers deft and delicate but here over-stretched, And both sounded in less than best voice; Ileana Cotrubas touching but seldom solid or forward in her utterance. Frederica von Stade a rather colourlessly well-mannered princeling. James Levine conducted with love, a massively obvious kind of love, that (notably in the third act) was apt to sacrifice momentum to *richness of sonority. In all*, though, and to an audience unaccustomed to the rigours and *also the pleasures* of 18th century serious opera, he and all his performers were proved persuasive advocates of Mozart's greatness.

Lucia di Lammermoor is much more readily a Met kind of opera, and Joan Sutherland, though absent here for four years, a longstanding house heroine. Expectations of a time worn triumph through past successes were overturned at the first night of the revival, the evening before *Idomeneo*; for not for a decade or more have I heard the soprano in such glorious, radiant voice. The Mad Scene has come down a tone; and, in general, the highest high notes were its least distinguished part. But otherwise this was the *strahlend* Sutherland of old, setting one golden phrase after another spin across the spaces until the whole opera sailed off in her train. *Its other participants* (Bonynge, baritone Pablo Elvira and bass Paul Plishka, a pinched-sounding Alfredo Kraus) were ordinary, but did no damage.

At the City Opera there is a new production of Bernstein's *Candide*, on which Andrew Porter will be reporting. For Samuel Ramey (soon to be Covent Garden's Figaro and Giovanni) the company has revived the production of Boito's *Mefistofele*, now a decade and a half old, that set the seal on the reputation of the late Norman Treigle. Ramey, a far finer singer, lacks comparable magnetism; it was curious to sit through a performance in which the devil's dash and bravura was so *studiously and sedulously* indicated without ever actually being communicated. The show itself creaks—but then, so does this worthy and (for long stretches) dull work; and the attempt to give it a continual semblance of vitality remains an admirable, if in the event doomed, one.

Joan Sutherland and Luciano Pavarotti

Royal Opera House appointments

The Royal Opera House has announced that Robert Bryan has been appointed lighting consultant. He will be responsible *for* all aspects of lighting *for the company, both at* the Opera House and on tours in Great Britain and overseas. Also at Covent Garden David Nolan has joined John Brown as joint leader of the ROH orchestra. John Brown has been leader of the orchestra at Covent Garden for the last six years, while David Nolan has been leader of the London Philharmonic Orchestra since 1976.

Hard Feelings/Oxford Playhouse

Michael Coveney

It is a most imaginative move by the Oxford Playhouse to throw together the playwright Doug Lucie and the director *Mike Bradwell. The former has* threatened for some years to write a definitive play about the trendy communal *lifestyle* of the early '80s, while the latter, chiefly in his work with Hull Truck, has assembled all the incriminating evidence in a series of uncompromising satirical improvisations.

Although *Hard Feelings* suffers partially from its touring theatre status and a mumbled *delivery by some of the actors*, it is none the less a most enjoyable and hard-hitting piece of work. The setting is a Brixton home for media-oriented graduates, excellently designed by Geoff Rose, and presided over by a dipsomaniac landlady, Viv, who bears obvious similarities *to Rachel in a previous* Bradwell production. Viv is rich, living off absentee parents and trying to collect the rent while riots gather on the street outside. It is a terrific part, played with consummate skill and detailed observation by Frances Barber.

Her residents include a fashion - conscious embryonic nude model; *a middle class* sponger who swings between mindless rock and '40s video *cassettes while planting* his seed in whoever's prepared to listen; a bespectacled, sexually retarded entrepreneur of Frisbee demonstrations; and a critical couple of outsiders. *These are a trainee solicitor* whose Jewishness is finally insulted by a glamour print of Hitler going up by the hi-fi, and a working class journalist hero whose "something to be" act gathers credibility as all around him sink into a mire of booze, promiscuity, cheap jibes and easy living.

The play only fails, really, because too much is taken on board in the shorthand style *that has consistently en*dangered work of this kind over the years. But its credentials are impeccable. The focus of Sunday lunchtime is Camden Lock; Lou Reed, vocalist of the best band of the 60s, who is now a ludicrous figure; ideas of freedom and "live for today" *that are consistently under*mined by bourgeois concepts of noise, cleanliness, scandal and visiting relations. Brixton impinges disastrously merely in the fact that Viv has twice had her car aerial broken. All on board can cheerfully drink themselves stupid because the cabinet is conveniently well-*stocked with spirit*.

In addition to Miss Barber, there are wonderful perform*ances from Ian Reddington as* the promiscuous heel, exiting finally by pushing the door with a leather-clad buttock after his Fleet Street dad has been exposed by Paul Foot, and by Jennifer Landor as his quiet, strong soul-mate.

A Faust Symphony/Festival Hall

Andrew Clements

Beecham conducted it and made what is still the best recording; of contemporary conductors only Bernstein has taken it into his repertory. Quite why Liszt's *Faust Symphony* has never attracted the attention of the *majority of* first-rank conductors and hence of audiences is a mystery, *particularly in an age when* lost causes are so assiduously cherished. The *Symphony* is no longer than much of the Bruckner canon; the optional *requirement of a tenor soloist* and male chorus for the final pages is modest by *Mahlerian* standards. Its echoes of Berlioz and premonitions of Wagner, Borodin and Chaikovsky also should be attractive mixture.

James Conlon made *A Faust Symphony* the focus of the *second of his three concerts* with the London Philharmonic this month. His advocacy was in no doubt, yet his performance on Monday made one sometimes uncomfortably aware of the work's shortcomings and the possible reasons for its neglect. Mr Conlon responded most con*sistently to the first movement*; to generalise wildly, he seems to be a conductor who is more *effective when driving music* forward, rather than letting it play itself. For the artfully controlled climaxes of the portrait of Faust he found immediate and incisive approaches: the unashamedly bombastic E major theme was delivered in forthright terms.

Yet he could not find a convincing way through the thickets of lyricism that must be pieced together into the semblance of a *slow movement*, the "Gretchen" music; here the LPO's playing, so precise and *light-footed* elsewhere, was perhaps a little unimaginative, and the conductor did not shape things *as confidently as he* might. Not unexpectedly the finale was driven for all it is worth and probably a little bit more, the orchestra emerging with great credit. Yet those second-hand themes, parodies and metamorphoses of the Faust material from the first movement, cannot sustain such an ambitious scheme. The listener who waits so long deserves better than that, and *the choral finale—the tenor* John Aler ringing-toned and the LP Chorus suitably reverential — is insufficient compensation.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

November 5–11

Theatre

LONDON

Schweyk in the Second World War (Olivier): Top class production by *the Guys and Dolls team of* Brecht's parable, disguising most of the weaknesses and boasting a superb *occupation of* the central role by Bill Paterson. Hans Eisler's music is well played and sung. (928 2252)

Andy Capp (*Aldwych*): Excellent new musical by Alan Price and Trevor Peacock based on the popular car*toon character*. Tom Courtenay, an unexpected choice, gives a very fine performance as Andy. (836 6404)

The Spanish Tragedy (Cottesloe): Thomas Kyd's bloody melodrama produced in a large torture chamber with Hieronimo's (Michael Bryant) revenge hilariously played as a black comedy. Good collector's item. (928 2252)

Rocket to the Moon (Apollo): *West End* transfer for much-acclaimed Clifford Odets revival. Mary Maddox fulfilling years of promise *as a den*tist's secretary with showbiz aspirations. (437 2663)

Trafford Tanzi (*Mermaid*): *Exuberant* new play that sets the battle of the sexes in a wrestling ring. This fringe *success has re-opened* the embattled City of London venue. (238 5568)

Noises Off (*Savoy*): Michael Frayn's backstage comedy – a cross between Rattigan and Pirandello – is the funniest play in London. Michael Blakemore's direction of the second act is particularly brilliant. Paul Eddington and Patricia Routledge lead the cast. Not to be missed. (836 8888)

The Pirates of Penzance (Drury Lane): Riotously vulgar Broadway import *that sits* Gilbert and Sullivan on a whoopee cushion. One or two brilliant set pieces, but is all this strenuously arthritic camping about really preferable to the prim stasis of the D'Oyly Carte tradition? (836 8108)

84 Charing Cross Road (Ambassadors): Moving, unspec*tacular account of* the love affair by correspondence between a New York Anglophile, Helene *Hanff, and the owner of* a West End bookshop. (836 1171)

Guys and Dolls (Olivier). A first-class *revival* of this witty musical happily laid out on the open stage, with a good selection of the acting talents of the National Theatre and some unlooked-for singing talents as well. (928 2252)

NEW YORK

Amadeus (Broadhurst): Frank Langella stars as Solieri in the award-bedecked and elegant National *Theatre* production of Mozart's life. (247 0472)

Agnes of God (Music Box): The fiery trio of Elizabeth Ashley, Geraldine Page and Amanda Plummer enliven a somewhat over-written clash of ideologies. (246 4636)

Joseph and the Amazing *Technicolor* Dreamcoat (Royale): The first work by Andrew Lloyd-Webber and Tim Rice in a *lively and imaginative* rendition directed by Tony Tanner. (245 5760)

Crimes of the Heart (*Golden*): Despite its genial humour, outlandish events and Pulitzer Prize, Beth Henley's *story of three Mississippi sisters* boils down to a sitcom sensibility full of gags, good acting and frequent phone interruptions. (246 6740)

Master Harold . . . and the Boys (Lyceum): Tony-award-winner Zakes *Mokae leads the cast of three in* Athol Fugard's latest look at apartheid in South Africa, where, in a *Port Elizabeth* tearoom in 1950, a white *teenager* turns against the two black servants who have been his only friends. (582 3897)

Present Laughter (Circle in the Square): George C. Scott proves that with the right wardrobe of dressing gowns, he can capture the essence of impresario Garry Essendine, including directing an excellent supporting cast. (581 0720)

Geniuses (Fairbanks): Author Jonathan Reynolds takes advantage of a stint *watching Francis Ford Coppola* shooting Apocalypse Now to parody the American film industry in this *riotous* re-creation of a jungle film set awaiting the end of a seasonal typhoon. (432 W. 42nd). (279 4200)

Nine (**46th St**): Two dozen women surround Raul Julia in this Tony-award winning musical version of the Fellini film 8-½, which like the original celebrates creativity, here as a series of Tommy tune's exciting scenes. (246 0246)

Cats (Winter Garden): Director Trevor Nunn, fresh from the Broadway success of Nicholas Nickleby, has his imaginative and frisky cats *slink*, slide and dance their way across a transfigured stage in this $4.5m re-creation of the London *hit*.

WASHINGTON

Twice Around the Park (Eisenhower): Eli Wallach and Anne Jackson star in two new one-act comedies by *Murray Schisgal* about life in *New* York City. Opens Tue. (254 3670)

Monday After the Miracle (Eisenhower): William Gibson returns to the familiar ground of his award-winning Miracle Worker in carrying the story of blind Helen Keller to adulthood when *Helen is in university* and her teacher, played by Jane Alexander, is married. (254 3670)

On the Razzle (*Arena*): Tom Stoppard's adaptation of the Johann Nestroy play resorts to mistaken identity and chaotic antics to show the effects of two working class men's decision to be upper crust for a day. (488 3300)

CHICAGO

Shear Madness (Mayfair at the Black*stone Hotel*): *Bruce Jordan* and Marilyn Abrams recreating the roles they originated in the hit run of this comedy mystery in Boston and Philadelphia. (266 0252)

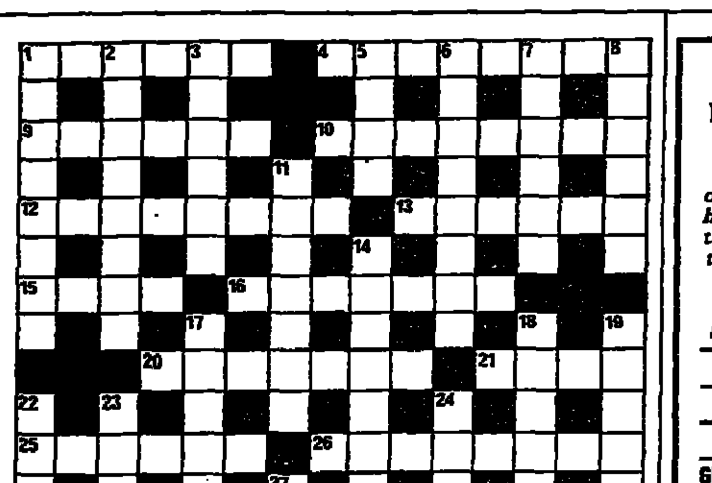
Sugar Babies (Arie Crown): Mickey Rooney and Ann Miller lead the charge in this revival of vaudeville, which rises above the ordinary because it started as an academic treatise on the best of music hall humour. (791 6000)

VIENNA

English Theatre: Mrs Warren's Profession starring Constance Cummings. *(Daily except Sun). Josefsgasse* 12 (42 1260)

Theater an der Wien (579 632): Jesus Christ Superstar. Daily except Mon.

F.T. CROSSWORD PUZZLE No. 5,021



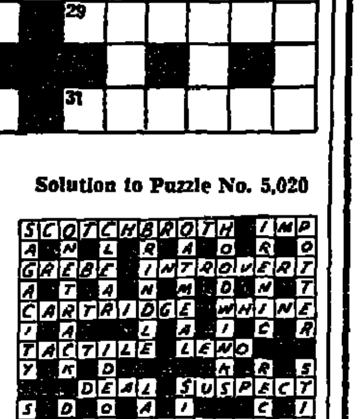
ACROSS

1 Going to court Ned is awkward and clumsy (6)
4 *Don't drop round*—*it will* produce no response (4, 4)
9 Added recommendations for *jockeys* (6)
10 A check on the present demand for bread (4-4)
12 Advanced in a rush, but thought better of it (8)
13 Glutton takes an age to finish a bird (6)
15 Striking elevation of knowledge (4)
16 Exercise to solve (4, 3)
20 Fellow in no condition to work on a tough paper (7)
21 A slight incoherence in speech (4)
25 Worshipped bustle and colour (6)
26 They lead in the forces if ordered (8)
28 *Put on too much weight* (8)
29 Vagrants making a racket in the back street (6)
30 *An enthusiast gets on and* flourishes (8)
31 Things to be done in company (6)

DOWN

1 Possibly wore drab clothes (8)
2 Love of the past (3, 5)
3 Short-service commission? (6)
5 A boy's source of energy? (4)
6 It had literally a very small population (8)
7 Editorial chief (6)
8 Say thanks when advanced money (6)
11 Security is lifted in the store (7)
14 It's often taken up by winter sportsmen (3-4)
17 Blooming beast of burden *that has* trouble getting up (8)
18 Senior citizen (8)
19 *Man* rises above *it* (5, 3)
22 Temporarily stop work (3, 3)
23 August variety of lemons (6)
24 A boring set-up (3-3)
27 Lame ducks maybe (4)

Solution to Puzzle No. 5,020



FINANCIAL TIMES
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The need for a sea treaty

BRITISH MINISTERS, like many of their counterparts abroad, are shortly to decide whether Britain should sign the Convention on the Law of the Sea agreed at the United Nations in April. This treaty is a flawed document, reflecting the compromises and ambiguities necessary to win the support of all but a handful of the 150 countries involved. But it is too important to be abandoned in the way that Washington now demands.

It is one of the most ambitious treaties ever negotiated, dealing with all aspects of the oceans which cover two-thirds of the world's surface. It will apply to ships and aircraft overflying the oceans, as well as to the resources in them—fish, the billions of tons of manganese nodules on the deep sea bed, and the hydrocarbons beneath.

At the treaty's heart is a bargain struck between rich and poor. Under this the developing countries agreed to give the seafaring powers and trading nations the freedom of navigation they sought and to stop encroaching upon the freedom of the seas off their coasts. In exchange, the industrialised nations promised to share the riches of the seabed with the Third World. Countries like the U.S., Britain, France, Japan and the Soviet Union had the resources required to raise the nodules—a £1bn investment is needed—but accepted that these nodules were part of the "common heritage of mankind."

Minerals

They also accepted a complicated system of "double banking" to cover exploitation of the minerals. Under this system — first proposed by Dr Henry Kissinger — consortia wishing to mine the seabed would file applications for two mine sites. One of these would be awarded to the consortium and the other to a new supranational enterprise.

The mining companies have long complained at the provisions on minerals set out in the convention. They found a forceful ally in the Reagan administration, which set out to obtain major changes in this area. In the end, by aiming too high, it achieved very little. The result is a treaty which the companies say discourages them from investing and which creates a bureaucratic Leviathan — dubious in concept and almost certain to prove unworkable.

This is not sufficient reason for Britain or other countries to reject the treaty. For no alternative regime is available to give the banks the security they need to finance deep sea bed mining without government guarantees. And the state of the world metal markets means that it could be the turn of the century before there is any need for the cobalt, copper, manganese and nickel lying three miles below the waves.

Impossible

Further, the treaty offers solace for the more immediate issues of today. It stops threats to navigation by setting territorial waters at 12 miles and guaranteeing all nations and companies unhindered passage through straits as crucial as Gibraltar and Hormuz. It gives countries exclusive rights over the fish within 200 miles of their coast and, under certain conditions, over the minerals up to 350 miles offshore. And it sets a legal framework—even if imperfect—for the settlement of all disputes involving the oceans.

France and the EEC Commission have argued that Western countries should sign the treaty while setting out their reservations to the mining regime. This is the right approach, for it is now impossible to renegotiate the treaty. But, once in force, amendments can be proposed by countries which sign it. There is also considerable scope for using the bodies foreseen in the treaty to reach agreement on the changes necessary to make mining a reality rather than the dead letter it threatens to prove today.

The treaty opens for signature next month and will stay open until December 1984—coincidentally, just before the next U.S. administration takes office. Passions on both sides are now high and compromise looks unlikely. While no early decision needs to be taken on ratification, if the U.S. is to be enticed to accept the Law of the Sea, Britain would do well to sign soon. It could then again play the role it has in the past, of honest broker for a valuable convention.

Customer choice in education

BRITAIN'S CAPACITY to produce engineers is threatened by ineffective management in many universities. Only a few such as Brunel have followed the strategy for adjusting to reduced public funds which was determined last year by the University Grants Committee, itself composed largely of academics.

Instead of nibbling equally at the budgets of all departments, the committee said, universities should preserve or even strengthen those which were academically or otherwise important nationally and concentrate the economies on those of less consequence. The clear implication was that the strategy should be followed at the expense, where necessary, of compulsory redundancy among academic staff. A major aim was to shift the balance of university activity more towards economically related studies including engineering.

Compensation

But the strategy is being largely frustrated. Most institutions have evidently decided to cut fairly evenly from all activities and to rule out imposed redundancy among dons, leaving staff reductions to voluntary departures encouraged by publicly financed compensation which is particularly generous to older staff.

Whereas arts and social studies departments expanded mainly in the 1960s, departments of engineering and to some degree science, especially in the technological universities, had their major growth a decade or more previously. Engineering and science dons therefore tend to be older and more eligible for generous compensation than their counterparts in humanities, as well as in greater demand on the employment market. In consequence at least three university engineering departments are losing staff to the extent of having to consider almost halving their intake.

Over the same period the official educational inspectorate has issued several disturbing reports. The burden is that many local education authorities are misapplying their reduced income in similar ways, particularly the avoidance of imposing redundancies on unionised teachers whose specialist skills are surplus to needs. Consequently state schools are being increasingly deprived by so-called natural wastage of the balance of skills required to teach a full range of basic studies.

Those examples of misdirected management represent two of the problems affecting the country's educational effort. But Sir Keith Joseph, the Education Secretary, and his department have made no effective move to correct them. Instead they have been busy planning a replacement for the assisted places scheme. This was begun by the present Government to enable families with relatively low incomes to send their children to independent schools by providing, on a means-tested footing, public subsidies towards the fees. The cost is budgeted to rise to about £25m in 1984-85. Provided that the child is accepted as academically suitable by one of the schools approved to take part in the scheme, the public subsidy is sent directly to the school.

The only significant difference in the proposed replacement is evidently that the subsidy would be paid first to parents in the form of a voucher which they would then "cash" at an independent school approved to take part. But availability of the voucher would still depend primarily on the child's being selected by a school. The subsidy would still be means tested up to a maximum of between £800 and £1,600 according to whether the child was at the primary, secondary or sixth-form age. Above all, use of the vouchers would be confined to only some of the private schools which in total serve at most 6 per cent of the nation's children.

Influence

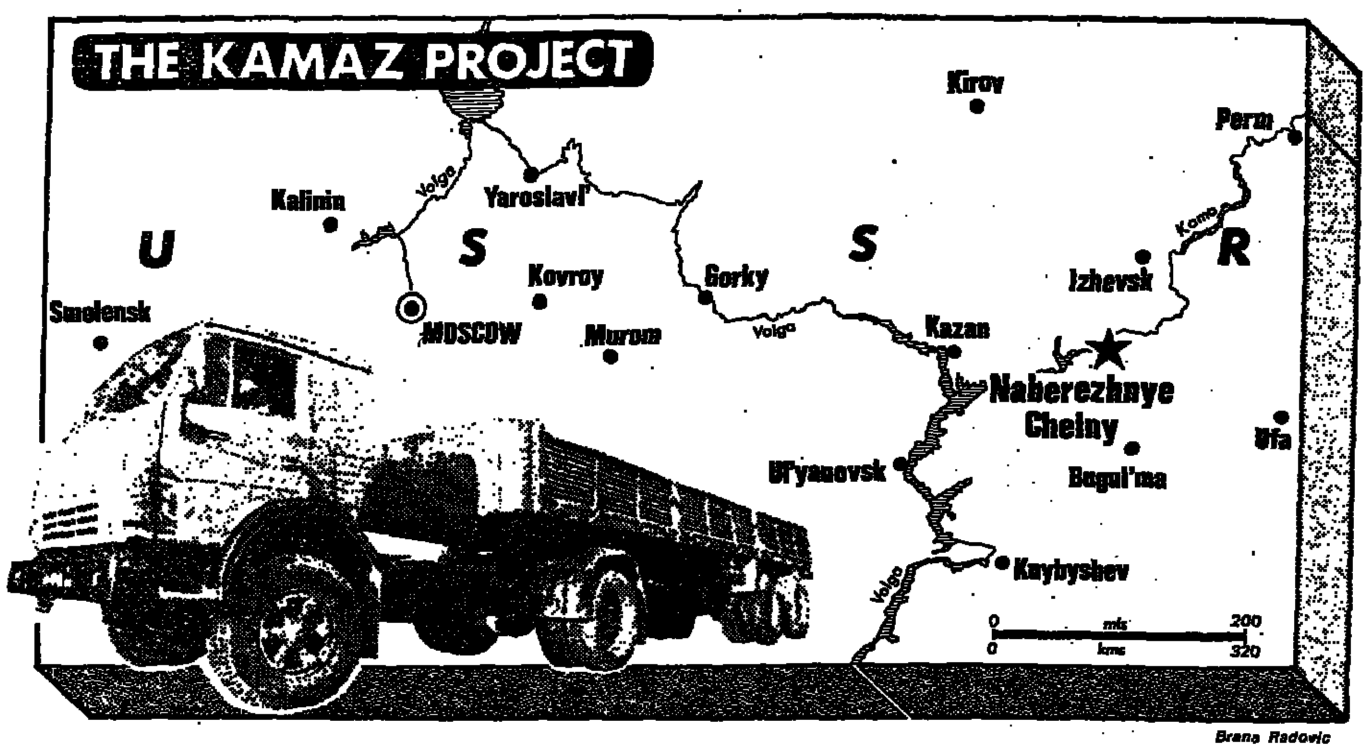
If vouchers representing the average cost of the appropriate stage of state education were made cashable also at state schools, at least experimentally where a local authority was willing, parents would gain direct influence over the incomes of schools in their area. A voucher scheme which through the market made educational institutions more sensitive to their customers' needs (perhaps by additionally requiring the child's formal agreement to the parents' choice of school) could be very beneficial indeed.

But in the form proposed by Sir Keith the change neither offers foreseeable improvement to education nor addresses any of its important problems. The plan is just irrelevant.

SOVIET INDUSTRY

The case of the missing trucks

By Anthony Robinson in Moscow



Brana Radovic

TODAY, some 12 years after the Soviet Union started work on what was planned to be the world's largest truck and diesel plant at Naberezhnye Chelny on the Kama River some 600 miles east of Moscow, the huge plant is still incomplete. It is turning out only half the planned 150,000 trucks a year and the delay has led to huge cost over-runs which inter alia appear to have forced the Soviet authorities to slow down plans to modernise the car industry and have had widespread negative repercussions on the Soviet economy as a whole.

Virtually nothing of this is allowed to surface in the Soviet media, however. Nor is the fact that one of the fundamental reasons behind the delays is the refusal of the Nixon Administration, back in 1971, to allow Ford and later Mack Trucks to act as general contractors for the plant in the way that Fiat supervised construction of the successful Togliatti car plant five years earlier.

Part of the reason for this official reticence is Soviet determination to persuade the world at large that it is not vulnerable to the kind of trade embargoes which President Nixon imposed over Kamaz and which the Reagan Administration also imposed in the wake of the Polish crisis. Now Moscow is also determined to show that it can shrug off the U.S. attempt to halt, or at least postpone, the Siberia-Western Europe gas pipeline.

The experience at Kamaz, however, indicates that the Soviet Union was, and still is, being affected by the earlier U.S. Administration's decision. This left it with a project which has severely stretched its managerial skills and the ability of the rigid central planning system to complete the project within the original time and cost parameters. Failure to complete the project while it was still a top priority has meant that it now has to compete for resources with the new top priority projects of the current five-year plan, including the export gas pipeline which is not only high on the list but also a question of national pride.

It could be argued that the Kamaz project was so over ambitious that it would not have been completed by the target date of 1980 even if Ford or Mack Trucks had been allowed to co-operate. This was certainly the view of several other Western contractors like Fiat and Mercedes-Benz who were subsequently asked to take over the general contractor role.

For what was involved was nothing less than the construction on a greenfield site of a complete new city of 300,000 inhabitants, plus an industrial complex capable of turning out 150,000 three-axle heavy duty diesel trucks in several variants and 250,000 diesel engines of 210 and 260 hp.

The Soviet authorities were stung by the U.S. snub and unable to substitute European firms in a similar role. Encouraged, however, by their success in completing the also highly ambitious Togliatti project, they decided nevertheless to go ahead with the project. The decision was announced by Mr Dgermen Gvishiani then, as now, deputy chairman of the state committee for science and technology. He told a Moscow Press conference on September 17 1971: "We will carry out the project ourselves with our own designs and our own equipment. The Soviet Union will not suffer."

There was an element of hyperbole in Mr Gvishiani's statement because Western companies were invited to compete for orders worth around $1bn. Renault of France won the biggest order to help build and equip the engine plant, Pullman-Swindell of the U.S. was granted an export licence to equip a $125m forge and foundry complex, while IBM received export licences for a powerful production control computer system. This latter contract demonstrated that, despite the earlier U.S. ban on Ford and Mack, the Kissinger-Nixon detente approach was by then sufficiently strong to overrule deep and abiding Pentagon opposition. A wide range of West European, Japanese and East European companies also won large contracts. Nevertheless, it was on Soviet shoulders that the task of co-ordinating the simultaneous construction of the new town, training a new workforce and building and equipping ex novo a plant with twice the annual output of Mercedes-Benz—one-third more than the entire U.S. truck industry and more than Western Europe combined—rested.

This task became even more difficult after December 1979 when U.S. satellites identified Kamaz trucks carrying troops and equipment into Afghanistan and the Pentagon announced that over 4,000 were in service with Soviet forces in East Germany. Shortly afterwards, IBM was refused export licences for the sale of spare parts for the Kamaz computers.

Without a fully functioning computer system, the already hideously complicated task of co-ordinating the thousands of parts which go into a truck must have become even more problematic. Traffic on Soviet highways shows that Kamaz is still producing a considerable volume of trucks—even 80,000 a year is after all equivalent to the annual output of Mercedes-Benz. But there are clear indications of continuing problems in bringing the plant up to planned capacity because of the virtual absence of media reports on what ought to be the pride of Soviet industry.

What is perhaps even more significant is the fact that this year trucks joined the lengthening list of products which are no longer itemised in official economic output statistics.

In February this year however, Kazan Radio, quoting the local Kamaz area newspaper, Sovietskaya Tataria, said that the plant had just turned out its 300,000th truck. In August Radio Moscow added that 400,000 diesel engines had been produced.

Given that the first preproduction models rolled off the Kamaz line in February 1976 and that 70,000 had been produced by March 1979, according to Soviet sources, the inference is that some 230,000 trucks or roughly 80,000 annually have been produced at Kamaz over the past three years.

Despite this clear indication that Kamaz is still producing little more than half its planned capacity, Soviet President Leonid Brezhnev sent a message to Kamaz workers on the eve of the 26th Party Congress in February 1981, congratulating them on fulfilling the plan. Last month he was contradicted by an article on the front page of Pravda in which workers pledged to bring the plant up to full capacity in time for the end of the current five-year plan, that is to say by 1985.

Reading between the lines, it was also clear that poor organisation, irregular supply of components and other problems were holding back production and leading to considerable frustration on the shop-floor where pay is linked to production. Two years ago there were reports of strikes at both Togliatti and Kamaz, but nothing further has been heard of labour unrest.

For every Soviet worker who makes motor vehicles, about four are employed on repairs

It is also difficult to estimate how much has been spent on Kamaz and associated facilities. Back in 1970, it was estimated to cost around $1.4bn. That was almost certainly a massive under-estimate and several times that amount has probably been spent since. In the 1976-80 plan some 9bn roubles ($12bn) was invested in the automotive industry overall and the bulk of this was probably invested in Kamaz and related projects.

Indeed, so much has been absorbed by Kamaz that it appears to have crowded out other investments and been a major factor in the decision not to increase production of cars.

The only exceptions are construction of an additional production line for the Niva four-wheel drive vehicle at Togliatti, raising output 50 per cent to 75,000 units this year, introduction of the new Zil and Chaika luxury models for the top party and government leadership, and a face-lift for the ageing Lada and Zhiguli models.

Shortage of investment funds for the automobile sector means that the planned front-wheel drive replacements for both the Zhiguli and the Moskvitch models and a new mini-car to replace the antique Zaporozhets model will now be delayed until the end of the five-year plan and possibly beyond. Not only is this bad news for the long-suffering Soviet motorist, but it also makes the task of earning hard currency from car sales on Western markets more difficult in the increasingly competitive 1980s.

But the wider macro-economic consequences of the failure of Kamaz to produce the planned number of vehicles at a reasonable cost are much more serious. In the first place, it means that hundreds of thousands of obsolete, run-down petrol-driven lorries of small carrying capacity are being forced to carry on well beyond economic retirement age.

This contributes to the situation revealed by Pravda on August 9 this year. The workforce employed in repairing motor vehicles, Pravda said, is almost four times larger than that employed in making them while no less than 28bn roubles (three times the sum invested in the automotive industry over the entire 1976/80 plan) is spent annually on the major overhaul of vehicles of all kinds.

It also means that the target of reducing fuel consumption by 30m tons annually by 1990 through the substitution of diesel for petrol engines and a fleet of fewer but bigger trucks remains a pipe dream.

The shortage of Kamaz trucks is also a major factor contributing to the general transport difficulties of the Soviet economy including the overloading of the railway system. Over the first half of this year Soviet railways carried 2 per cent less freight than in 1981 because of congestion, shortage of wagons and other problems. Kamaz also contributes to the slowdown in economic growth generally. Not only has Kamaz failed to reach its own production targets but non-availability of Kamaz trucks has led to huge, but unquantifiable, losses to the economy as a whole. Agriculture, construction, energy and resource projects have all been affected by the non-delivery of trucks, tipper lorries and other variants as planned.

To crown it all, West German truck experts report that the Kamaz diesel engine design and production defects have given an engine with a very short average life of around 100,000 km necessitating expensive modifications.

This is believed to be one of the principal reasons why Sovtransavto and other major international transport organisations in the Soviet Union, Bulgaria and elsewhere in the Soviet Bloc continue to buy heavy-duty Volvo and Mercedes trucks, rather than use Kamaz on their long-distance routes.

Despite these reported problems, however, there can be no doubt that in other respects the Kamaz truck is a vast improvement on its mainly petrol-driven, 1950s-style predecessors and that the widespread incorporation of Western equipment has produced a much higher quality and more comfortable Soviet truck than ever before.

In conclusion, the Kamaz story appears to be a classic example of the Soviet Union's attempt in the 1970s to graft Western technology on to an essentially unreformed economic management and planning structure, and in the face of repeated U.S. obstruction.

But it is also an example of the continuing Soviet predilection for concentrating resources on gigantic capital-intensive projects subject to huge cost and time over-runs. These often end up impoverishing other sectors of the economy without realising the benefits of scale originally hoped for.

It is impossible to tell what conclusions the present Soviet leadership has drawn from Kamaz. But as the new generation of leaders contemplate the economic problems, the experience of Kamaz indicates that the methods of economic management inherited from Stalin are no longer appropriate to the complexities and needs of contemporary Soviet society.

Hitachi

A TABLE listing the world's leading electronics and electrical manufacturers, published in the Financial Times of October 26, erroneously omitted Hitachi of Japan. Hitachi, with 1981 sales of $15.5bn, should have been in seventh place in the table.

Men & Matters

Dollar art

Swings and roundabouts are in furious motion in the fine art world. As the leading auction houses suffer from falling inflation—and falling prices for run-of-the-mill works of art—their arch rivals the solid Bond Street dealers are coming into their own again. Agnew has just opened one of those exhibitions in the grand style which have graced its main salon for over a century. This one marks the tercentenary of the death of the French artist Claude.

But there is one sign of the times: The prices of the paintings and drawings for sale are now fixed in dollars. There is hardly a British collector left with the $700,000 on hand to buy "Pastoral landscape with piping figures," nor one of the finest drawings, priced at $350,000.

The exhibition is built around 29 drawings that Agnew has just bought from the Norton-Simon Foundation of the U.S. for a sum which must exceed £1m. It also has two paintings on offer, one of which, with the piping figures, Agnew bought at Christie's for £50,000.

Agnew was able to have it confirmed as an original Claude and the price has risen several times.

But if the works for sale are likely to find overseas buyers there is something re-assuringly British about the eight paintings loaned for the exhibition. Four belong to Dukes—Northumberland, Westminster, Bedford and Devonshire. A further two come from Viscount Coke at Holkham. In art the stately homes of England still retain the upper hand.


"They're demanding another 7,000 tonnes of mackerel!"

Rum business

With the Royal Navy back in fashion this is a good time to revive Pussers Rum, the rum which kept the navy going for over three centuries. Rum came into the sailor's life in 1655 to make brackish water more palatable, and for many years a pint a day was distributed. By the time the custom was abandoned in 1970 the ration had been cut to ⅛ of a pint—or three old pennies for temperance crewmen.

And there the matter lay until a Canadian businessman, Charles Tobias, who had converted his electronics company into a luxury yacht, approached the Admiralty in 1979 with a request for the recipe of Pussers (a corruption of Pursers). A deal was reached whereby the Royal Navy Sailors Fund got two dollars from every case of the rum sold and a blending plant was set up in the Virgin Islands, handy for the U.S.—the prospective market for this bit of old Britain.

To make sure the blend was pukka, E. D. and F. Man, the commodity brokers who had supplied the Admiralty with the three rums used in the blend since 1784, took an interest in Tobias' company and agreed to handle the British distribution. There is opposition from the big drink companies. But so far sales of the rum in the traditional naval strongholds of Portsmouth, Plymouth, Greenwich, and Chatham, are buoyant and Man hopes to get a major distribution deal soon. There are no problems in the U.S. where Pussers is handled by IDV, the Grand Metropolitan subsidiary.

So far the Sailors Fund has benefited by £30,000. The aim is to raise £100,000 a year during the next five years. Pussers is not a giveaway at over £11 a bottle. But as liquid history it has an appeal and at least you do not have to water it down — the inevitable fate of the "tot" for ratings on board HM ships.

Horse sense

Still called The Last Unknown by intrepid travellers setting out to explore its vast rain forests and mountain jungles, Papua New Guinea is making giant strides in its progress from the stone age to the jet age if its new budget is anything to go by.

Mr Phillip Bouraga, the finance minister, does not need to learn anything from his western colleagues about hitting free-spenders in their wallets.

After announcing he will raise beer duties and, moreover, index them to the consumer price index, he added "It is of concern to me that horse gambling turnover in Papua New Guinea now exceeds 40m Kina (£32m) a year—about 2½ per cent of the country's gross domestic product. I am convinced this sum can be put to far more productive use."

His straightforward solution is to impose a sliding scale of stamp duties on betting tickets according to the size of bets.

LIFFE styles

Accountants Peat Marwick International are enjoying a sell-out for a series of seminars into the workings of the young London International Financial Futures Exchange (LIFFE).

LIFFE opened for business in the old Royal Exchange Building opposite the Bank of England only six weeks ago to a flourish of gaily-dressed traders. More soberly the event was accompanied by some reminders from the banking establishment about the need for propriety.

The lusty youngster has not disgraced itself. And, to judge from the list of seminar participants, it is clear that LIFFE's dealings are now attracting worldwide interest.

Peat Marwick International appears to have set up a new international financial record of its own in the meantime. The group's annual fee income has topped the $1bn mark—actually it was $1.15bn for the year to June. Can any other fee-earning business beat that, I wonder?

In a twist

The correct way to eat spaghetti, I am told by the London Pasta Information Centre—a reliable source presumably—is to wind it neatly on to a fork.

The centre's own psychologist explains that spaghetti winders are invariably sensitive, intuitive, patient people who are popular at work and tactful socially.

But where does that leave those who tackle their spaghetti in other ways?

The same pundit says that spaghetti cutters are trying to create order out of chaos. At work they are organisers, while socially they are conformists.

Spaghetti spooners, meanwhile, are fussy, inhibited types.

The morale seems to be: mind who is watching when next you get your pasta in a twist.

Observer

Sir Claus Moser argues for greater government funding for the arts in Britain

The arts in a cold climate

THE TITLE of this article may seem ungrateful, given the committed efforts being made for the arts by the present Minister, Mr Paul Channon, and of course by the Arts Council.

But I think it is justified for two reasons. First, in spite of the achievements of determined arts ministers and arts councils, the arts are in greater trouble than ever before. The noises coming from all of us—from the big institutions like the Royal Opera House and the Royal Shakespeare Company and small companies all round the country—are not the noises of people crying wolf.

The other reason why the climate feels cold goes beyond passing economic strains. It relates to a nagging doubt whether this country, and many of those who make relevant decisions are yet sufficiently committed to sustaining what has been achieved.

The Government is now faced with a clear choice: to ensure that the arts get the minimum requested by the Arts Council for maintaining present activities and standards or to accept decline. What is not possible is to squeeze funding beyond what is needed *and* to believe that activities and standards can be kept up. That is double-think.

The fact that I hope that the first view will prevail is derived from a passionate belief in the value of the arts to our lives as individuals and as a society. Even economically there is a good case. The arts are a £900m industry, earn a great deal in tourism and other ways and cost central government only some £180m per annum, about 0.3 per cent of central government expenditure. For the nation, this is a sound investment in a prospering industry.

However, I would not wish to argue the case for the arts only on economic grounds. What matters is that the arts contribute to the quality of life of every section of the community and are one of the activities that make countries, and indeed civilisations, great. Vitality and ferment in the arts *signify a society that is alive*, with values that go beyond temporary economic or political ups *and downs. This is why* our achievements in the arts have earned us such immense admira*tion the world over, and rightly* so, for it is perhaps our greatest success story since the war. We *must build on this success*, rather than let it slide for the sake *of a few million pounds*.

Perhaps we need to remind ourselves more often how great the transformation has been, and not assume that its basis is secure, almost whatever the resources.

The transformation has ranged over all the arts, performing and otherwise, and opera illustrates it well. One *does not have* to go back beyond the lifetime of at least the older ones among us to see a scene *totally* different from today. Take the 1930s. Opera in London meant mainly summer seasons lasting a few weeks, and outside London there was the Carl Rosa Company and Gilbert and Sullivan. That was about the sum of it. Audiences can hardly have numbered more than a few tens of thousands, mostly well-off and, of course there was no public subsidy.

Here we are, a mere 50 years later, with London alone typically putting on between 300 and 400 opera performances and as many again outside. There must be well over a million "bottoms on opera seats" in a year. Nor is it just a quantitative change. In Glyndebourne, the Royal Opera, English National Opera, Scottish and Welsh Opera we have as distinguished a quintet as any country can boast; there are the touring companies besides, not to mention numerous local operatic companies, workshops and the considerable operatic life on radio and TV. And our artists are in evidence the world over.

It is a stunning transformation and the same story could be told of theatre, ballet, museums, music generally and so on. Much of this is owed to the sensible use of public subsidy, a credit to successive governments and arts councils.

Sadly, what has been achieved remains all too fragile. Nor should we be surprised that the very increase in artistic activity, coupled with increasing underfunding, the relentless effect of inflation on the labour-intensive arts plus the impact of recession on receipts, should now produce unprecedented strains.

A number of institutions look like closing (eg the Roundhouse) while many others are in dire trouble, from national companies to smaller institu*tions all over the country*. At Covent Garden, for example, we have had to cancel, with great *sadness, an opera tour to Man*chester. We are reduced to two new opera productions this *season and there are serious* threats to standards and activities. A large deficit next year seems unavoidable.

Treasury ministers must not take refuge in the belief that there is "fat" in arts spending. *Examples of waste are rare and* I would defy anyone to find another industry in this country as efficient and effective as the "arts industry." There is no better value for money. I can say with feeling from the Royal Opera House, that, although we shall continue to search for economies, we are not prepared to do so at the risk of standards. Is it realised that comparable houses abroad now spend two-and-a-half times as much per performance as we do?

It is fashionable to argue that the burden of support should shift significantly towards the corporate sector. *The importance of* business support needs no emphasis and the fact that *some £7m now comes from the* business sector is a splendid achievement. However, it is *simply unrealistic to expect* a change of scale, especially in times of recession, while there *are no tax concessions as in* the United States. And, even if support was doubled, it would still only be *marginal to* the overall scene.

Local authorities vary greatly in support, some allocating virtually no resources to the performing arts.

The public already contributes more directly than in any *comparable country. At Covent* Garden, for example, we are forced to "earn" some 45-50 *per cent of our income*, compared with an average of about 16 per cent in German houses. No wonder our seat prices seem relatively high. As elsewhere, we are determined to find ways of widening access to performances—hence 25 per cent of our seats under £8; the Proms, the Tent, etc.—and *our hope is for a larger subsidy* so that we can put a lid on price increases.

The solution to the immediate crisis must depend, not on the business world, nor on local authorities nor on the public, but on the Government. Sir *William Rees-Mogg, the chairman* of the Arts Council, has stated that the minimum level *of grant necessary to do no* more than sustain the present level of artistic activity is £98.5m, *an increase of 14 per* cent over the current year. (This is some £10m short of *what he regarded as the desirable level* "to make the best and fullest use of the *resources in which we have* already invested.") It *is the* absolute minimum and his *arguments are incontrovertible* that, if the final grant falls short of it by some millions, it *would mean withdrawing a* grant from one of the four national companies; or *decimating the ranks of the next* largest clients (e.g. major repertory theatres); or giving *everyone short rations and see* who will survive.

"Once in calmer economic waters, I hope that we can look for a totally new priority. I should like to see a target of 1 per cent of public expenditure for the arts, not a blank cheque but linked to a set of distinctive policies."

In my view, the Government and country have much to gain from giving the arts the priority necessary to find at least the minimum sum. Not that I would wish to argue that the arts have a unique case for priority, that they are more important to the nation than kidney machines, mental homes, housing, roads or many other claims on public expenditure. That would be foolish, as it would be to deny the importance of discipline in public spending, including the arts. All one can ask is that certain special features of the arts should be taken into account when the Government makes its decisions;

- the arts contribute to people's happiness in all parts of the community and are one of the areas of our national life in which excellence has been achieved and where Britain enjoys enormous prestige;
- their cost to the public purse is tiny and represents an excellent economic investment;
- rightly or wrongly—but undeniably—they depend above all on public subsidy for survival and health, and failure to find the minimum support will do damage out of proportion to the sums involved. Artistic companies once closed will not open again in a hurry, and the climb back from mediocrity in others would be steep and take decades. Success in the arts, more than in most things, *depends on security, which in* turn depends on continuing public subsidy.

Given the small sums involved and what is at stake, I hope that the Government will decide to find the minimum resources necessary to see the arts over the present crisis. I urge this because I know specifically what is at stake at Covent Garden, and because I share in the general pride in this country's artistic standing, I do not want to see it eroded.

Once in calmer economic waters, I hope that we can look for a totally new priority. I should like to see a target of 1 per cent of public expenditure for the arts, not a blank cheque but linked to a set of distinctive policies.

These should encompass special emphasis for the great national institutions at one extreme as well as for the new and experimental at the other; special funding for the regions and local activities; for creative artists; for the arts of minorities; funding to enable us to preserve and improve our heritage and the capital infrastructure of the arts; the gradual building up of arts complexes in major cities.

There is everything to be said for raising one's sights to these more ambitious aims even if their realisation has to be spread over many years. The recent Select Committee report on the arts has produced a basis for this vision, coupled with suggestions for the machinery of government.

The financial implications are not all that forbidding, especially if one looks to the increasing partnership of the corporate sector and local authorities, and help through tax changes, tourist levies, TV levies, lotteries and so forth.

Those who make the money decisions can gain confidence from the fact that there is now no shortage of artistic enthusiasm, ingenuity and dedication in this country. Those working in the arts deserve encouragement for the future as well as gratitude for what has been achieved already.

Sir Claus Moser is chairman of the board of directors of the Royal Opera House, Covent Garden. This article is based on the Robbins Lecture delivered at Stirling University on October 21 1982.

Social Affairs

Keeping a tighter lid on racial tensions

By Ian Hargreaves

BRITAIN HAS learned how to *handle riots. That much*, at least, we can conclude from last week's battle of Brixton and from a series of less widely reported but equally efficiently suppressed disturbances in Liverpool and London earlier this year.

If, on the weekend of April 10 last year, Chief Superintendant Nicholson had been able to call the Instant Response Unit, the Met's new riot squad, to the streets of Brixton; *if his men had carried* the squad's new shields instead of dustbin lids; if they had been wearing the new crash-helmets and flame-proof boiler suits rather than seeing their trouser *legs* burn from the petrol bombs, Brixton's 1981 disturbances would quite possibly have been as brief as those of nine days ago.

The question then is whether, in the year since the Scarman report on the 1981 riots, we have made progress in anything other than police tactics. Are we merely holding the lid on the pressure cooker of the inner cities more tightly?

From Brixton itself, the *evidence is mixed*, but the optimists have the makings of a case that the channels of *communication between* black people on street corners and the authorities, clogged to the *point of seizure 18 months ago*, are now functioning.

When the Lambeth Council's *demolition squad went to knock* down squatted houses in Railton Road, the response of the threatened community was first to negotiate with council officials and police community liaison people then to organise that most British of protests, a march on the town hall.

Only after these actions had produced no softening of the authorities' position — the squatters maintain that they had been promised there would be no demolition before alternative premises were found — did the first petrol bomb fly.

A day later, with the streets back under the control of foot policemen, negotiations had resumed and another mechanism for protest and persuasion, the Lambeth police-community liaison committee — a prototype which Scarman said should acquire a statutory basis — *proved its value*.

Although it was loud and bitter, the meeting enabled the angriest of the young blacks to see two of their demands — for information on the number of policemen involved in the action and on the alleged failure of some members of the Instant Response Unit to wear identity numbers — supported by MPs and other establishment figures who sit on the committee.

This year, the police have used the liaison committee to insist month after month that if the council did not act on the Railton Road squats, they would themselves have to take action in the interests of law and order. Although this can be viewed as alarming manipulation and may well have precipitated last week's crisis, it is the logical consequence of enhanced police-community links. There was nothing secret about the pressure and, significantly, police tactics have not been denounced either by the older black community leaders or local politicians. If we want more political policemen, we are opening a two-way street.

Even in inner city renewal projects, blacks are not picking up their expected share of the action

Adding to the optimists' case, at the national level, have been a number of initiatives in leadership within the black community, such as the formation of Black Rights UK, a legal defence group, Black Trade Union Solidarity and London's new weekly newspaper for blacks. Britain now also has a Minister for Racial Affairs and a Commission for Racial Equality which, although still constantly attacked from both sides, is starting to emphasise legal work in the hope that test cases, following the American pattern, will create an impact which the CRE's diffuse actions *to date have lacked*.

But in spite of all this evidence of response, it is *glaringly obvious that all of the* social causes which Lord Scarman and 1,000 other commentators saw as *underlying* the 1981 riots—unemployment, bad housing and failed education—have either got worse or remained depressingly stable. As Mr Ted Watkins, a veteran black community leader from Watts, Los Angeles, said in London the other day, by these measures conditions in urban Britain are now worse than they were in the turbulent mid-1960s in Detroit, Chicago and Los Angeles.

These are among the reasons why when social scientists measure the problem, as a group of them have in a new book, *Black Youth in Crisis**, they conclude dolefully: "The measures we have at our disposal are cosmetic; they mask the *real* discontent beneath the surface."

The book presents evidence that even in inner city renewal projects, black people are not picking up their expected share of the action and dismisses as out of touch and fruitless liberal efforts in ethnic minority education in the 1970s—black studies and all that. To these authors, black young people have now retreated so far into the fantasy culture of Rastafarianism associated with the late Emperor Haile Selassie, rejecting all alternatives as the trappings of Babylon, their mythical place of cultural exile, that there is no perceptible road back to a deal with British society.

Ted Watkins disagrees and points to evidence of self-help projects emerging in several cities. Talking to the Brixton Front Liners themselves, the coherence and vehemence of their demands for change suggest that we are still some way from a complete impasse.

We are also, however, an equally large distance from an organised understanding of what to do next. Moving on the Front Line, as if it were some vagrant outside a railway station, can hardly be the answer.

** Black Youth in Crisis, ed. Cashmore and Troyna. George Allen & Unwin, £4.95 paper.*

Letters to the Editor

A high pound, products and manufacturers' votes

From Mr R. Ledingham

Sir,—In reading your reports on the *Confederation of British Industry* conference it is possible to gain the impression that *non-manufacturing* industries (largely unaffected by exchange rates) outvoted the *manufacturing industries for no* other reason than that they did not want to be seen to be *criticising government economic* policy. You report that representatives from the service *and oil industries* and financial institutions felt that devaluation was "a risky policy not deserved by manufacturing industry."

Do those representatives of "*industry*" feel that manufacturers deserved the 20 per cent strengthening of trade weighted sterling between 1979 and 1981 and do the risks amount to anything more than mild inflationary pressure largely offset by reductions in interest rates, the probable *mechanism* by which devaluation would be achieved?

Sir Terence Beckett must *have struggled long and hard* to express the conference view that "Industry should show *confidence in itself* and that should be through a high pound" is a fair effort, it almost sounds *logical*.

The circumstances of this vote against the interests of British *manufacturing industry appears* a somewhat seedy lapse into supporting the interests of political parties *rather* than the desperate needs of a large section of the CBI's membership.

R. A. Ledingham,
6 Hardwick Road, Hethe, Oxon.

From Mr P. Seager

Sir,—I find the pronouncements by *senior* management such as made by Sir Terence Beckett, chairman of the Confederation of British Industry, in his closing speech at their conference most depressing.

They blame the high value of the pound, lack of demand, national insurance surcharge and pay settlements above zero for industry's poor performance, lack of competitiveness and inability to sell goods made.

What some industrialists need is to re-learn some facts of life. If you make things no one wants you are going to have great difficulty in selling them but if you make things people want you can charge a high price for them. In the first case you will make a loss and in the latter a profit.

Sir Kenneth Cornfield appears to be a voice crying in the wilderness when he rightly says designing and marketing the right product is the key to successful wealth creation. On competitiveness he said the appeal of the product to the potential customer is the most important single contribution.

A reduction in the national employment surcharge would be *unlikely to* have much effect in reducing prices and increasing competitiveness going by *previous performance*. There has been little sign of price reductions since the interest rates *started to come down*.

The effect of a reduction in the surcharge therefore is most likely to be *shown in company* profits and dividends. This possible increase for shareholders *is in sharp contrast to* the zero level for pay settlements propounded. Someone will have to make up any reduction of income to the Government unless this tax is unnecessary; but that is another question.

For this country to make progress against the current recession industry needs to apply itself to following the line set out by Sir Kenneth Cornfield and make and sell the right and attractive products that people want.

Philip Seager,
Lindenbaum, Wantage Road, Rowstock, Didcot, Oxon.

From the Vice-Chairman, North West Region, Confederation of British Industry

Sir,—The vote at the CBI Conference last Monday on the exchange rate appears to have attracted disproportionate interest from those who would seek to challenge its validity.

Driving to work on November 5, I heard in the "Today" programme the explanation offered that it was the manufacturers who had wanted a lower rate, but that they had been defeated by others: importers, bankers, etc. Then, when I read my Financial Times that day, Malcolm Rutherford, in his article Porridge, Putty and the CBI, also suggested that the vote was swung against the manufacturers by bankers and oilmen "streaming in from the coffee rooms" to swell the vote in favour of no devaluation.

As it happens, delegates from the North West region were sitting in a block at this stage of the proceedings; these delegates represented manufacturing interests almost exclusively, and I took careful note of how we voted; it was approximately 3-to-1 against the motion, or in *other words*, against a devaluation of sterling. It is a matter of record that the overall vote *was about 2-to-1* against any devaluation.

Can we not therefore kill the myth that *manufacturing* industry as a whole is looking for a sterling devaluation? There is obviously *a division of* opinion on the subject, but the suggestion that the importers, the oilmen and the bankers were ganging up against the manufacturers is just not borne out by the evidence: for the vote to have gone as it did, many other manufacturers, apart from those in our region, must have opposed the motion.

Instead of the suggestion that manufacturing interests were outflanked by non-manufacturers, it would be nice to hear or read commentators explaining this result by what I believe to be the correct analysis, namely that industry has the will to compete at present exchange rates, even though things would be easier with a lower pound, and that we are *not looking* for any soft options. This attitude came through clearly in so many other debates *during the conference*, so why should it be thought that industry is "soft" on the sterling question?

C. F. Jeanes,
Milliken Industrials, Wellington Mill, Wellington Street, Bury, Lancs.

Cable TV technology and British Telecom

From the Editor, Information Technology and People

Sir,—Mr Gosling (October 22) seems to be unaware of the engineering aspects of cable television systems and the possible role of British Telecom in them. He complains that the Hunt report gives these matters insufficient attention.

Hunt says "the enquiry was not concerned . . . whether coaxial or fibre optic cable should be used." The reason is that this subject is under consideration by Dr Eden whose committee is composed of people from industry, including British Telecom. Their conclusions are awaited next March.

Mr Gosling need not lament the fact that Hunt did not suggest that BT should re-cable Britain. BT is extraordinarily well placed to handle a market-driven cabling situation. It will do BT no harm at all to compete. Until now nobody has had the opportunity to see how other offerings in the telecommunications field compare with BT's. I hope we shall soon see but it could turn out that BT will be the leader.

BT already has a technically advanced prototype system running at Martlesham composed of a judicious combination of fibre-optic and coaxial cable. The great advantage of it is that wide bandwidth is available in both directions. This will certainly be needed by businesses—which will be the first users of cable for information transmission.

Ultimately, home users will also probably need it. BT's problem will be to tender competitively as cable providers because its "Multi-star network system" as it is called will have to carry R & D and small production overheads *initially*.

Perhaps it will tackle this by becoming members of a consortium composed of the four elements suggested by Hunt—cable providers, system operators, programme providers and programme makers.

BT's experience and financial resources (which will probably come right) make it an immensely *strong* competitor. BT is being de-regulated without being subjected to the *restrictions* imposed upon a de-regulated AT&T in the U.S. To limit its competitive power AT&T has had to hive off "Baby Bell" companies. But nothing prevents BT becoming the cable provider in one or more consortia.

A. E. Cawkell,
P.O. Box 5, Ickenham, Uxbridge, Middlesex.

Juggernauts and villages

From Mr A. Booth, MP

Sir,—In your report of (November 5) the Secretary of State for Transport's decision to raise lorry weights from 32.5 tonnes to 38 tonnes you say that Mr Howell "told the Commons" of his views. Not so. Mr Howell dodged his critics in the Commons by not making an oral statement but instead issuing a written answer to a *parliamentary* question. This approach to the Commons on a major issue of public concern causes justifiable *resentment*.

It is to be hoped that a full-scale Parliamentary debate in the near future will allow Mr Howell's critics, myself included, to oppose heavier lorries. I believe that the public will not *welcome heavier lorries* with their serious implications for traffic congestion on our roads and for noise, fumes and dust in our villages, towns and cities.

Albert Booth,
(Labour Parliamentary Spokesman on Transport),
House of Commons, SW1.

FINANCIAL TIMES

Wednesday November 10 1982

French state groups 'to double deficits'

By David Housego in Paris

FRANCE'S public sector corporations providing monopoly or quasi-monopoly services are expected to more than double their deficits this year to a total in excess of FFr 18bn ($2.48bn).

Under French accounting practice they are not included within the state budget deficit, which is expected to be about FFr 100bn in line with President François Mitterrand's directive that it should not exceed 3 per cent of gross national product. In addition, the steel sector fully brought under state control this year is expected to run up losses of FFr 5bn and the recently nationalised metals group Pechiney-Ugine-Kuhlmann a loss of FFr 2bn.

The main reason for the deficits – which ultimately add to inflationary pressures in the economy – among the quasi-monopoly corporations has been the government's holding down of tariff increases in the interest of price stability.

Electricité de France (an expected deficit of FFr 8bn), Gaz de France (FFr 4bn), the Société Nationale des Chemins de Fer, the national rail network, (FFr 4bn) and the Regie Autonome des Transports Parisiens (RATP), the Paris public transport system, (FFr 1bn) have all been allowed smaller price increases than they sought. The other major loss maker in the public sector is Charbonnages de France, the state coal company, which is expected to run up losses of FFr 1bn-2bn in addition to FFr 5bn of subsidies.

As part of its anti-inflationary strategy, the Government has taken strong measures to ensure that other potentially large deficits in the social security and unemployment benefit funds have been plugged for this year and next.

In the case of the state sector corporations, a further major reason for the expansion of their deficits has been the sharp rise in financial charges.

The deficits have obviously added to the public sector's financing requirements.

Belgium links pledge to unions with wage curbs

BY LARRY KLINGER IN BRUSSELS

THE BELGIAN Government yesterday told the country's trade unions that it would continue to curb wage rises in 1983 and 1984 but would guarantee that the unions would retain their full voice in the implementation of planned employment programmes aimed at creating 80,000 jobs.

Mr Wilfried Martens, the Prime Minister, said the Government could not allow the country's programme for export-led recovery to be threatened by costs rising faster than those of its main competitors. This had to include labour costs.

On the other hand, the Government would ensure that the unions fully retained their influence in Belgium's traditional joint committees of management and workers which implement agreed policy through-out a range of industrial sectors.

The Government has refused to restore the county's long-standing system of linking wage rises to the full increase in each month's cost of living index. It plans instead to reduce working hours by an average of 5 per cent, making room for a 3 per cent increase in the workforce.

Mr Martens was seeking at a press conference last night to calm union fears which were a big factor in the collapse last week of the tripartite talks by Government, industry and the unions aimed at reaching a "social consensus."

The unions interpreted the employers' refusal to accept fully binding rules to implement the jobs programme as an attempt to reduce union influence on the joint committees.

A possible nationwide revolt by the unions remains the chief threat to Mr Martens' coalition comprising his own centrist Christian Democrats and the conservative Liberals.

Since coming to office 10 months ago it has taken a series of austere economic measures under special powers.

The Government escaped nationwide protest strikes earlier this year only because of a refusal by the moderate unions, affiliated to the Christian Democrats, to give full support to their Socialist colleagues.

The Christian unions have now called for a general one-day stop-page later this month aimed at obtaining firm commitments on job creation. But the full co-operation of the Socialist unions is being withheld unless the protest action is directed at overall government policy.

The Government is also planning to relax the virtual wage freeze imposed under its special powers from July of next year but still aims to limit pay rises to about 4.5 per cent, or considerably less than the projected inflation rate for next year of 8.5 per cent.

Belgian unemployment – already at the top of the EEC league – is continuing to rise, pushing to new record levels of around 13 per cent.

● The Government is expected to come under pressure to mediate in the current strike by the country's urban transport workers, which yesterday halted virtually all buses, trams and underground trains in major centres for the second consecutive day.

The workers are protesting against economy measures designed to make urban transport financially self-sufficient

Airlines divided on action against discounting

By Michael Donne in Geneva

EFFORTS BY the world's airlines to agree on tougher action to fight discounting – the sale of air tickets at less than officially approved rates – ran into difficulties at the annual meeting of the 120-member International Air Transport Association (IATA) in Geneva yesterday.

Although the airlines were unanimous on the need to eliminate this practice, they could not agree on how to combat it.

Discounting, they agreed, had become the biggest scourge of the world air transport industry, costing the airlines at least $1bn, perhaps as much as $1.5bn, in lost revenue each year.

Iata members spent most of the day both publicly in the meeting chamber and behind the scenes at senior level trying to work out the wording of a resolution that would oblige the presidents of each airline to take action that would stamp out discounting by next March 1.

Almost inevitably, such a sweeping resolution ran into difficulties on the conference floor. Many airlines were critical of its wording and clearly fearful of the hidden implications of any commitment.

The airlines clearly did not know precisely how much discounting was costing them in lost revenue or how to combat this problem. As a result many speakers urged that they should spend more time studying the implications of any action aimed at trying to stamp out discounting, not only by Iata members but also by non-member airlines who were often encouraged to discount fares by their governments.

Most airlines indulge in discounting, often because they would lose business if they did not do so.

Efforts to combat the problem have been concentrated so far in a fare deal monitoring group, set up by the Iata some time ago and headed by Mr Ian Ritchie, the external affairs director of British Caledonian.

This has had some success in reducing discounting, but Mr Ritchie admitted in a presentation to the Iata airlines that the problem was getting worse.

France lifts block on sale of cut-price butter by EEC

BY OUR BRUSSELS STAFF

THE European Community's planned "Christmas sale" of 120,000 tonnes of cut-price butter to reduce its costly and growing daily surpluses was given the go-ahead yesterday after France removed its block on the plan.

France had been blocking an agreement arguing that the consumer sales should be accompanied by a more extensive external trade policy for butter, including stricter limits on imports from New Zealand and a reopening of sales to the Soviet Union.

France has still not accepted the EEC agreement on continued New Zealand butter sales to the UK, a battle that will have to be fought out again at next week's Agriculture Ministers meeting.

Officials said yesterday that France had received no additional assurances on either the timing or level of subsidy which could be paid for sales to the Soviet Union, nor would there be any in the immediate future.

The Commission insisted when it last week reopened the prospect of resumed large-scale subsidised butter to the Soviet Union that only market conditions would determine actual commitments.

The decision was highly political and balanced with a programme for cheap sales at home. In the past the public has been incensed at butter, subsidised by EEC taxes, being sold cheaper in Russia than at home.

The domestic sales, which will be a third cheaper than normal prices but which are up to three times more costly to EEC finances than subsidising exports, are of particular importance to West Germany and Britain.

They had been in the forefront of the opponents of the renewed sales to the Soviet Union – the sales had been suspended after the Russian invasion of Afghanistan. France was the major exponent of stepped-up sales.

Nevertheless, France yesterday found itself in an "absurd situation," said one senior official, "trying to argue that butter supplies for a foreign country was more urgent than the domestic programme."

France was one of the prime movers in the unprecedented majority vote against Britain on agriculture prices earlier this year. It argued that the fact that Britain linked the prices issue with its EEC budget dispute did not constitute a "vital national interest," allowing for a legitimate veto. The same argument was turned against France yesterday.

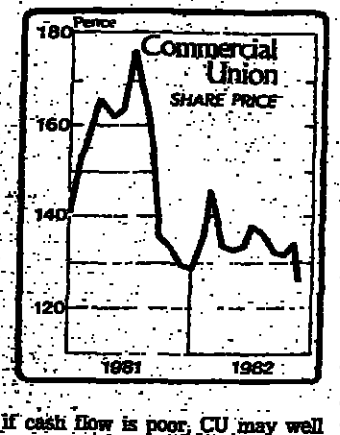
THE LEX COLUMN

CU steps on the brakes

STC has taken ample revenge on the Government for its recent exclusion from the System X contract. Last month's offer for sale has so scrambled the preliminary October money supply figures that comparisons are almost meaningless.

The clearing banks' own figures are marginally discouraging but, from the standpoint of the gilt-edged market, the most depressing news came with the October CGBR figures, which show departmental balances in deficit during a month when the total expenditure figure remained very strong.

On the equity market all eyes are turned towards HMS Britoil, due to be launched today.



Commercial Union

Commercial Union has produced yet another set of truly awful figures. The underwriting loss of £61.6m in the three months to September is as high as the average of the previous two quarters, despite the absence of exceptional weather claims. At the pre-tax level, profits are down from £66.1m to £24.3m after nine month.

CU's difficulties in the U.S. and the UK (Canada is now running at a small underwriting profit) have obliged it to push up premium rates slightly faster than the market. In the U.S. this represents at the very least a modification of the previous expansionist strategy. CU still expects to gain a slightly higher share of the stagnant U.S. market over the next 12 months, but its target of reducing the expense ratio to below 30 per cent now looks a distant one.

The tougher approach will not start to bite until next year. Even then, however, U.S. cash flow will be under pressure if payments on claims arising from the earlier dash for growth outstrip the more modest rise in premium income. Investment income growth will moderate as the effect of lower interest rates feed through and CU may still need to top up reserves selectively, as it did in the third quarter.

With the shares standing on a yield of 13.2 per cent at last night's price of 128p, the real question is whether CU will maintain its dividend. The rise in bond values has pushed book net worth to around £1bn and the company has signalled strongly that this year's final will be maintained. Next year, even if cash flow is poor, CU may well argue that it can see ahead to better times in 1984, when the U.S. may be improving and the UK reorganisation will take a chunk out of fixed costs.

Smiths Industries

Smiths Industries has maintained its unbroken profits growth tally in the year to July by the skin of its teeth, with a pre-tax gain of £111,000 to £26.5m. A sharp downturn in Australia and South Africa in the second half has been counter-balanced by continued growth on the medical side and recovery in the auto-related divisions based on cost savings. The aerospace business bore the brunt of a £2½m redundancy charge; stripping this out it showed steady, if unspectacular, growth.

Unlike many companies involved in the hard-hit motor sector, Smiths has been able to rationalise without damaging its balance sheet. The impact, instead, has been reflected in the p and l account, which has been on a virtual plateau over the last four years. It will probably take another two or three years before the emphasis of the group is decisively switched away from motors. But the market seems prepared to take eventual success in this restructuring on trust. The shares rose 23p yesterday to 350p, where the yield is 4.6 per cent and the p/e 13.9, fully-taxed.

Whitbread

Despite a further 3 per cent fall in beer volumes, Whitbread has once again managed to push up profits by 10 per cent to £42.7m in the half year to August. The results reflect the continuing impact of the group's cost cutting over the last two years, which has reduced staff by about 3,000 – 500 in the last six months.

The scope for further cut-backs, however, must now be very limited and Whitbread's dilemma is presumably whether to push for market share or continue with its recent policy of margin maintenance. The problem may be particularly acute now that the cash flow from the Chiswell Street site has dried up and gearing on the revenue account has been temporarily boosted by the recent acquisition of Julius Wile in the US.

The overall picture for UK beer volume is looking more rosy than it was six months ago, while the elimination of old plant has left Whitbread with little spare capacity except at the Magor lager facility, where throughput seems to be rising quite strongly. So the company may well decide to stick to its guns and leave the volume race to others. At last night's price of 156p the prospective yield is 5 per cent.

De La Rue

After giving shareholders a nasty jolt with provisions of £9m last year, De La Rue has unexpectedly reversed the process for the half year to September by releasing £2.3m of what it had set aside. Even with this booster, pre-tax profits moved ahead only marginally, from £10.5m to £10.8m, demonstrating the generally soggy markets into which the group has been selling. But expectations had generally been lower, and the shares, living up to their reputation for volatility, shot up 50p to 560p.

One underlying source of this volatility lies in Crosfield Electronics, which, despite the repeated forecast of a profits turnround has once again turned in a heavy loss – £3.9m against £5.7m last year. On the banknote side, there has been some pressure on margins as the group fought to maintain market share.

In the current half, the banknotes business should perform better as the disruptions caused by last year's dubious contracts problem are overcome. But overall profits will depend on whether the recent management changes and cost cutting at Crosfield have the desired effect of pulling Crosfield at least back to break even point.

Kevin Done in Frankfurt examines the consequences of a plunge in commercial vehicle orders

German truck makers engage low gear

DWINDLING orders from overseas and a domestic economy that is dropping deeper into recession are forcing leading West German commercial vehicle manufacturers to take drastic measures to cut output.

Sales in the Federal Republic have plunged and new truck registrations have fallen to only half the 1979 level.

MAN (Maschinenfabrik Augsburg-Nürnberg), the country's second largest truck and bus manufacturer, is cutting its 15,000-strong commercial vehicles workforce by 700 – chiefly through natural wastage – and is planning increased short-time working in the first half of 1983.

Magirus Deutz, the West German-based subsidiary of Iveco/Fiat of Italy, was forced by mounting losses to give up bus manufacturing in the Federal Republic earlier this year.

At the end of last week it warned that its truck-making operations could only continue with further sizeable cuts in administrative and production staff. Negotiations on a new redundancy package began with leaders of the workforce in Ulm this week.

New registrations for trucks of 9 tonnes and above in the Federal Republic totalled 41,613 in 1979, but demand fell by 9.2 per cent in 1980 and by 27.8 per cent last year. This year registrations are expected to total no more than 20,000–22,000 after a further plunge of 23 per cent in the first nine months.

According to MAN: "The earlier assumption that sales would gradually normalise in the first half of next year with a recovery in the second half is no longer valid."

Earlier hopes for up to 3.5 per cent growth in the West German economy next year have been replaced by fears of a deepening recession, or at best stagnation.

The construction sector, a vital customer for commercial vehicles, is still battling with its worst post-war slump and there are few encouraging signs from other sectors

Overall West German commercial vehicle output has fallen by 6 per cent in the first nine months of 1982 to 226,600, but in some areas production has plunged by as much as 30 per cent.

With Daimler-Benz, MAN and Magirus Deutz, the Federal Republic's main strength in commercial vehicles is in medium and heavy vehicles.

In the weight class of 6 tonnes and above it accounts for 43 per cent of West European output and in Daimler-Benz the republic has the world's biggest heavy truck maker.

No less than 64 per cent of commercial vehicle output was sold abroad last year, but depressed demand in almost all major markets is making it virtually impossible to compensate for the domestic slump by further boosting exports.

Production of trucks in the class of 12–15.9 tonnes is down by 28.8 per cent, output of 10–12 tonne trucks has fallen by 20.8 per cent. Production of light trucks in the 2–4 tonnes range has declined by 10 per cent and in the 4–6 tonnes range by 24 per cent.

The one substantial sector where output has increased this year is for trucks of 16 tonnes and above – a rise of 6.45 per cent to 43,291 in the first nine months. Even here, however demand has begun to decline sharply.

Countries such as Iraq and Saudi Arabia had provided the last prop for heavy truck production, but according to MAN the Middle East has also shown an "extraordinarily strong reluctance" to place new orders since the middle of the year.

In the first nine months of the year, MAN's medium and heavy truck sales (9 tonnes and above) to the domestic market dropped by 12.5 per cent to 4,213, while sales abroad fell by 17.6 per cent to 7,907. The company has warned shareholders to expect a dividend cut for 1981/82.

At Magirus Deutz, the closure of its bus-making plant in Mainz – Daimler-Benz and MAN also run up heavy losses in this sector – will have cost 1,400 jobs by the end of the year. Its workforce had shrunk by the end of September to 9,500 from 10,500 a year earlier and 12,500 at the beginning of 1981.

Most of the remaining workforce have been hit by short-time working since the beginning of November. Thirteen days of short-time work are planned up to the end of the year and there are more to come in the first months of 1983.

Volkswagen, which dominates the production of light commercial vehicles in West Germany in the 2-4 tonnes range, has had to impose short-time working at its Hannover commercial vehicles plant since 1981, but this has reached a new peak in the second half of 1982.

Some 17,000 of its 20,300 strong workforce in Hannover have been hit by 30 days short-time working since the beginning of July. In the first half of 1982 the assembly lines stood idle for 26 days.

As sales have fallen – a decline of 24.9 per cent in deliveries to dealers in the Federal Republic in the first nine months this year – jobs too have been cut. The Hannover workforce was reduced to 20,900 by the end of September from 22,110 at the end of 1980.

The movement of staff to other plants and the transfer of work to Hannover from elsewhere in the VW group has done little to alleviate the chief problem of sinking demand.

Such moves have had more success at Daimler-Benz, the biggest manufacturer of commercial vehicles in West Germany.

It too has been hit hard by the slump in demand for light commercial vehicles and buses. Bus production in the first nine months of 1982 was 21 per cent below last year's level and the company continues to make heavy losses in this sector.

At the same time, output of light commercial vehicles below 6 tonnes dropped by 14 per cent. Alone among its rivals, Daimler-Benz has managed to further increase exports of medium and heavy trucks to overseas markets, chiefly to the Middle East. This has allowed it to compensate for the weakness of West German and West European demand.

The group has so far avoided any short-time working because it has been able to switch work from its more successful operations. Its car plants, in particular, are still working at full capacity.

The case of the missing trucks, Page 16

WEST GERMAN COMMERCIAL VEHICLES

	Jan-Sept 1982	Jan-Sept 1981	% change
Production	226,600	240,219	– 6.0
Domestic truck registrations	73,744	93,860	– 21.4
Domestic bus registrations	3,643	4,091	– 6.1
Exports	145,300	145,902	– 1.4

Production by size	Jan-Aug 1982	Jan-Aug 1981	% change
Trucks			
2-4 tonnes	71,865	79,903	–10.06
4-6 tonnes	11,514	15,155	–24.03
6-8 tonnes	18,739	19,554	– 4.17
8-10 tonnes	7,428	6,904	+ 7.59
10-12 tonnes	7,565	9,550	–20.79
12-15.9 tonnes	5,248	7,379	–28.88
16 tonnes +	43,291	40,667	+ 6.45
Buses	8,826	10,622	–16.91

Source: West German Automobile Industry Federation and Federal Motor Vehicle Office

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	19	66	Dubrovnik	S	17	63	Malaga	F	17	63	Salzburg	C	13	55
Algarve	S	15	59	Faro	F	18	64	Malta	C	20	68	Seoul	R	16	61
Algiers	R	17	63	Florence	C	20	68	Manila	C	31	88	Singapore	C	33	91
Amsterdam	C	11	52	Frankfurt	C	15	59	Miami	R	25	77	Stockholm	S	9	48
Athens	S	18	61	Funchal	C	21	70	Milan	R	7	45	Strasbourg	S	18	61
Bahrain	S	29	84	Geneva	C	13	55	Moscow	S	2	36	Sydney	F	23	73
Bangkok	S	31	88	Gibraltar	S	17	63	Munich	C	12	54	Taipei	F	23	73
Barcelona	S	12	54	Guernsey	C	12	54	Nairobi	F	25	77	Tangier	F	18	64
Beirut	R	15	59	Helsinki	R	4	39	Naples	C	18	64	Tehran	—	—	—
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Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK warning to Danes in fish row

Continued from Page 1

Fishermen's Association, argued that Britain's claim to the area known as the Shetlands Box is intended to discriminate against the Danes.

From January 1, the current restrictions on fishing within 12 miles of the UK coast expire, and these waters will be legally accessible to Danish fishermen, Danish officials argue.

The other EEC members have now effectively revived their ultimatum, delivered a fortnight ago, that Denmark accept what is on the table or face having less advantageous terms imposed on it. "Denmark has again been warned, and in no uncertain terms," Mr Walker said, "that in reality their position could become very much worse if national measures are taken by the other member-states."

Significantly, however, the Nine yesterday held back from making good their threat immediately, giving rise to suspicions that they are wary of carrying it through.

The prospect of a partial CFP excluding Denmark has given rise to considerable worries within the Community. Not only could Denmark be expected to mount a serious legal challenge, but future EEC fishing agreements with countries such as Norway and Canada might be compromised. There would also be serious questions on whether conservation measures could be effectively enforced without the participation of a major EEC fishing nation.

The UK Government announced last night that Mr Poul Schlüter, the Danish Prime Minister, will visit London on November 22 for talks with Prime Minister Margaret Thatcher.

If the fisheries dispute is not resolved, it is likely to top the agenda. The two will also discuss prospects for the next Community summit to be held in December.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday November 10 1982

Harvester appoints new chief executive

By Paul Taylor in New York

INTERNATIONAL Harvester, the troubled U.S. farm machinery group, yesterday announced that Mr Donald Lennox will take over as chief executive from December 1.

Mr Lennox, who joined Harvester from Xerox and Ford in 1970 as one of three senior executives chosen by the company to stave off financial collapse, replaces Mr Louis Menk, who will continue as chairman and will also chair the executive committee.

The management reshuffle, which was approved by the Harvester board late on Monday, was not unexpected. Mr Lennox, as president and chief operating officer of the manufacturing group, was already effectively in charge of Harvester's day-to-day business.

The management changes do, however, come at a crucial time for Harvester, which is undergoing a radical reorganisation in an attempt to avoid financial collapse.

Mr Menk, who replaced Mr Archie McCardell as chairman and chief executive last may, said yesterday that *"the company had developed a new operating plan implemented in July, arranged a financial restructuring approved last month and secured the backing of suppliers and dealers.*

Commercial Union underwriting loss soars to £180m

BY JOHN MOORE IN LONDON

UNDERWRITING losses at Commercial Union Assurance, one of Britain's largest insurance groups, soared to nearly £180m ($299m) in the first nine months of its current financial year – almost double the £98m loss of a year earlier.

But an increase in net investment income of 22 per cent to £173.5m ensured that the group reported a pretax profit of £24.3m, compared with £66.1m last year.

Mr Cecil Harris, chief executive, blamed the depressed world economic conditions, intense competitive pressures, and claims for weather damage for the worsening underwriting result.

Mr Harris said trading in the U.S., where Commercial Union made an underwriting loss of £135.9m, had been "going very badly. But much has been done in the past 90 days to correct this." The group is increasing its insurance rates in the U.S.

He said there were signs of improvement in certain areas but these were emerging very slowly. The UK market is showing few signs of rising premiums in spite of the fall in interest rates.

On the London stockmarket the group's shares were unchanged at 120p.

Details, Page 24; Lex, Page 18

Thomson edges ahead

BY OUR FINANCIAL STAFF

THOMSON Newspapers, the Toronto-based North American newspaper group, reports a marginal improvement in third-quarter net income as a result of an increase in U.S. earnings.

Nine-month earnings emerged at C$67.1m (U.S.$55m) or C$1.35 a share, compared with C$66.6m or C$1.33 last year on revenues up nearly 5 per cent at C$492.3m against C$470.6m.

The group said earnings growth was curbed, however, by a further decline in its Canadian operations, mainly attributable to its flagship publication, the Toronto Globe and Mail.

The Globe's results continued to be affected adversely by costs associated with developing its national edition and by a fall in advertising revenue.

Thomson is continuing its programme of U.S. acquisitions and expects satisfactory operating results in the fourth quarter, "considering current economic conditions."

Canadian Pacific decline continues

By Our Financial Staff

THE SLUMP in earnings at Canadian Pacific, the rail and shipping group which has widespread interests in manufacturing and natural resources, gathered pace in the third quarter of this year. Two months ago, the Canadian group cut its quarterly dividend from 47.5 cents a share to 35 cents.

Earnings fell in the quarter from C$138.3m to C$42.9m (U.S.$35m) or 59 cents a share, although revenues dipped only from C$3bn to C$2.97bn.

At the nine month stage, group earnings have fallen from C$391.2m, or C$5.44 a share, to C$153.2m or C$2.12.

Earlier this week, Canadian Pacific Enterprises, the group's resources and industrial products subsidiary, disclosed that profits had fallen from C$104.2m to C$9.1m in the third quarter.

At the beginning of this year, shareholders were warned by Mr Frederick Burbage, the chairman, that profit margins were likely to remain under pressure even if the economic situation in North America should improve.

Cominco, the mining and integrated metals company controlled by Canadian Pacific, also disclosed a downturn recently. Last month it announced a loss of C$19.8m for the third quarter, compared with a profit of C$16.1m for the same period.

INTERNATIONAL CAPITAL MARKETS

War-torn Iraq seeks $500m loan

BY ALAN FRIEDMAN IN LONDON

RAFIDAIN Bank, Iraq's major financial institution, has asked the Union des Banques Arabes et Françaises (UBAF) to raise $500m through a five-year syndicated loan.

UBAF said yesterday it was calling a lead managers' meeting in Paris on Monday to discuss the deal, seen by many bankers as unusual in view of Iraq's present war with Iran.

Chase Manhattan is believed to be involved in the project, which is still at an early stage. Last week a delegation led by UBAF met several banks in London to propose a five-year deal with a two-year grace period and interest margins ranging between ⅞ and 1 per cent over the London interbank offered rate (Libor).

One London-based banker with a major institution said the UBAF proposal was listened to briefly. "We then showed these gentlemen the door," commented the banker.

But at UBAF headquarters in Paris an executive said he expected few problems in putting the deal together.

Iraq last borrowed in the Euromarket in 1978 when it obtained a $180m refinancing three-year credit bearing a spread of ½ per cent over Libor.

The Rafidain Bank loan would be guaranteed by Iraq's central bank. UBAF says the funds will be used for "international trade purposes" – mainly for imports.

● **Patrick Cockburn adds:** Iraq's oil revenues have fallen sharply since the start of its war with Iran in 1980. Its oil exports have been cut from about 3.3m barrels a day to 600,000 b/d today because of the closure of its oil pipelines to the Gulf and across Syria. Oil revenues this year are unlikely to top $10bn.

Despite large subsidies, officially described as loans, from Iraq's oil producing neighbours, the country's foreign currency reserves have fallen from an estimated $30bn in 1980 to some $6bn today. Saudi Arabia, Kuwait, Qatar and the United Arab Emirates loaned $23bn up to February this year and the figure may now have climbed to as high as $30bn.

Not only has Iraq had to bear the heavy cost of the war, put by diplomats in Baghdad at $1bn a month, but Iraqi President Saddam Hussein raised the pace of economic development in 1980 and 1981. In the latter year Iraq announced around $23bn worth of contracts, far more than any other country in the Middle East, including Saudi Arabia.

This year far fewer contracts are being awarded but it is unclear how existing projects will be financed. Many schemes are also being hit by the conscription of much of the local manpower into the army.

$300m floating rate note for Malaysia

BY OUR EUROMARKETS STAFF

MALAYSIA is raising $300m through a floating rate note issue organised by the Bank of Tokyo. The 10-year notes carry an interest margin of ⅛ per cent over the six-month London interbank offered rate (Libor).

Investors will have the option of redeeming the paper at par after the seventh year. The total lead-management commission is 1⅛ per cent, up from 1 per cent earlier this year when Swiss Bank Corporation put together a $250m Malaysian deal.

It is understood that a substantial portion – in excess of 50 per cent of the paper – has already been placed with investors in Tokyo.

The only new issue news yesterday was the launch of a 20-year Eurodollar convertible bond for Gillette. The $50m issue, which will carry a 15 to 17 per cent conversion premium, is led by Morgan Stanley and Credit Suisse First Boston.

There are no investor redemption options and the indicated coupon is 8 per cent, rather high for convertible paper. Only 35 per cent of the purchase is payable now; the balance is due next March.

As of yesterday, Gillette was trading on the New York Stock Exchange at 47¼, close to its 1982 high of 49. The low was 27¼.

In secondary markets, the dollar, Euro D-Mark and Swiss franc foreign bond sectors experienced quiet trading. Prices in the dollar and D-Mark sectors closed unchanged, while Swiss franc prices were slightly down on the day.

Sweden is raising SwFr 100m in Switzerland with a 10-year issue led by UBS and expected to yield 5⅞ per cent. Nankai Electric Railway is placing SwFr 50m of five-year paper through Banca della Svizzera Italiana.

In the dollar market the SNCF $75m 10-year bond was priced by Sparebanken Oslo, Société Générale and SEB with a 11⅛ per cent coupon at 99¾.

An Ecu 50m 8-year 12⅛ per cent issue was launched yesterday for Euratom.

Samurai bond calendar may reach Y200bn

BY OUR EUROMARKETS STAFF

A NEW ISSUE calendar totalling around Y200bn of Samurai bonds is expected to be set tomorrow when underwriters meet in Tokyo to decide the public issues scheduled for the first quarter of next year.

Among the 11 new issues expected are bond offers for the Malaysian Government, Denmark, New Zealand, the European Investment Bank and others. Possible candidates include Forsmark Kraft Grupp, Sweden's nuclear power company and Dow Chemical, the U.S. group which issued a Samurai bond earlier this year.

The Japanese authorities have been trying to relax the rules for new issues on the Samurai market, – the sector for foreign entities raising yen-denominated bonds – and tomorrow's meeting is an informal attempt to set the first quarter calendar.

Several foreign borrowers have cancelled Samurai issues in recent weeks, some because of the weakness of the yen against the U.S. dollar and others because of rising yen interest rates. Canada's Export Development Corporation (EDC) has postponed a Y30bn issue through Daiwa Securities, though it may return to it next month.

Elsam, Denmark's power company, is this month expected to raise Y15bn with a 10-year Samurai bond. France's Crédit Nationale is also likely to launch an issue, a Y20bn 10-year deal through Nomura Securities.

Among December's new issues will be a Y20bn 10-year Samurai bond for the Council of Europe Resettlement Fund, led by Daiwa Securities. *This issue has been delayed* since last month because of a disagreement about documentation details.

The World Bank is expected to *float a Y20bn 12-year Samurai on* December 20 through Nomura Securities and Brazil's BNDE may also appear in December.

During the first quarter of 1983 Nomura and Daiwa are planning at least four new public Samurai issues each

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. The following are closing prices for November 9.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/87	150	108⅛	108⅝	-0⅛	0	11.77
Amax Int Fin 16¼ 92	75	106½	107	0	-0⅛	14.82
Amax O/S Fin 14¾ 89	75	106¾	107¼	-0⅛	-0⅜	12.55
Amro Bank 13 89	200	101⅝	102⅛	-0⅛	+0½	12.58
BHP Finance 14⅞ 89	150	105⅞	106⅜	+0½	+1⅛	13.23
Bk America NT & SA 12 87	200	101⅝	102⅛	-0⅛	-1	11.39
Bk Montreal 14½ 87	100†	103⅞	104⅜	-0⅜	+0⅛	13.17
Equ Inds Secs 15 89	100	107	107½	0	+1⅛	13.22
British Col Hyd 14¾ 89	200	107⅜	108⅜	-0⅛	-0⅛	12.78
British Col Hyd 15¼ 92	150	112⅜	112⅞	-0⅛	+0⅛	12.86
Canada 14⅞ 87	750	109⅝	110⅛	-0⅛	0	11.44
Canadair Ltd 12½ 89	175	102	102½	0	+0⅛	12.01
Can Pac Sec 14⅝ 92	75	108¼	108¾	0	+0⅛	13.34
Can Pac Sec 15 89	75	105¼	105¾	+0⅛	+0½	13.90
Citicorp O/S 15 84/92	100	103⅝	104⅛	+0⅛	-0⅛	11.85
Coca Cola Int 11¾ 89	100	103⅝	104⅛	-0⅛	0	10.91
Deutsche Bk Fin 14⅛ 89	300	106⅝	106⅞	0	+0⅛	12.78
Du Pont 14⅛ 89 WW	200	105⅛	105⅝	0	-0⅛	12.83
E.C.S.C. 14⅝ 87(A)	80	108	108½	-0⅛	+0⅛	12.15
E.I.B. 15½ 92	100	108⅝	109⅛	-0⅛	-0½	13.75
Exportfinans 14½ 89	50	105⅛	105⅝	-0⅛	-0⅛	13.11
Exp Dev Corp 11¾ 87	100	100⅝	101⅛	-0⅞	-0⅞	11.51
Forsmarks 13¾ 92	75	102	102½	-0⅛	0	13.31
Gen Elec Credit 12 89	100	104⅜	104⅞	-0⅛	-0⅞	11.00
Gen Elec Credit 0.0 93	400	33⅞	34¼	-0⅛	+0⅞	11.07
Getty Oil Int 14 89	125	105⅝	106⅛	0	-0⅜	12.54
GMAC O/S Fin 15¼ 85/97	100	104½	105	+0⅛	-0⅜	12.71
GMAC O/S Fin 15 89	125	108⅛	108⅝	-0⅛	+0⅛	12.97
GMAC O/S Fin 15 87	100	107	107½	-0⅛	-0½	12.72
Gulf Canada Ltd 14⅜ 92	100	107½	108	0	-0⅛	13.22
Gulf Oil Fin 12¼ 87	100	103⅞	104⅜	-0⅛	-0⅛	11.18
Gulf Oil 14⅛ 94	175	103½	104	-0⅛	-0⅛	13.55
IBM World Trade 12⅛ 92	200	106½	107	+0½	-0⅞	11.08
Manitoba Prov 13¾ 89	100	105⅞	106⅜	-0⅛	-0⅛	12.36
Manitoba Prov 11¾ 88	125	99⅞	99⅞	+0⅛	+0⅛	11.83
Nat West Fin 11¾ 92	150	99⅞	99⅞	-0⅛	-0⅛	11.81
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	Issued	Bid	Offer	Change on day	Change on week	Yield
World Bank 8¾ 92	20	100⅛	100⅝	+0⅛	+0½	8.28
Av. price changes: on day 0, on week +⅞						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 16 88 C$	100†	108¼	108¾	0	+0⅞	13.74
Brit Col Tel 17¼ 88 C$	50†	110½	111½	0	+1⅛	14.28
Can Utilities 17 87 C$	35†	111⅝	112¾	0	+2⅞	13.31
Gaz Metro 17½ 90 C$	20†	105½	106½	0	0	15.85
O.K.B. 16¼ 88 C$	63†	110	110⅝	0	+1⅛	13.47
Quebec Hydro 16½ 89 (May) C$	50†	108¾	109⅝	0	+1⅛	14.11
Prov Quebec 16¾ 87 C$	17†	102	102½	0	-0½	15.82
E.I.B. 10 87 Fl	100	102⅝	103⅝	-0⅛	-0⅛	12.23
Amro Bank 10 87 (Aug) Fl	75	102⅝	103⅛	0	+0⅞	9.21
Bk Mees & Hope 10 87 (B) Fl	75	101⅝	102¼	-0⅛	+0⅛	9.46
E.I.B. 10 87 Fl	75	103⅝	103⅞	+0⅛	+0⅜	9.02
Sears O/S 10¼ 87 Fl	100	105½	106	0	+1	8.73
Van Lanschot 10¼ 87 Fl	50	103½	104	+0½	+3⅞	9.25
World Bank 10 87 Fl	100	102⅞	103⅜	0	+0⅞	9.18
O.K.B. 14 86 FF	400	97⅛	98⅛	0	+0⅞	14.00
Solvay & Cie 14¾ 86 FF	200	96⅝	97⅞	+0⅛	+0⅛	15.82
Beneficial 14¼ 90 £ (D)	20	97⅞	98⅝	-0⅛	-0⅛	14.70
B.F.C.E. 14½ 87 £	30	109½	110½	+0⅛	+0⅛	11.54
B.N.P. 13½ 91 £	15	105½	106½	-0⅛	0	12.27
C.E.C.A. 13½ 88 £	20	105½	106½	0	+0⅞	12.02
C.N.T. 12½ 89 £	20	102⅞	103	0	+0⅞	11.91
Fin For Ind 12¾ 88 £	30	104⅞	105⅝	+0½	+1⅛	10.99
Fin Nea Ocean 12⅞ 92 £	30	27⅞	28⅛	-0⅛	+0⅛	12.11
Gen Exp Cred 13¾ 88 £	15	104⅛	105⅛	0	+0⅞	11.94
Gen Elec Co 12½ 88 £	50	104⅝	105⅝	+0⅞	+0⅞	11.29
Hiram Walker 14¼ 86 £	25	104⅞	105⅞	+0⅛	+0⅞	12.17
Norsk Hydro 14½ 87 £	30	109½	110½	+0⅛	+0½	11.55
Quebec 15½ 87 £	35	110⅝	111⅝	+0⅛	+0½	11.90
Quebec Prov 14½ 88 £	30	107⅛	108	+0⅛	+0½	12.72
S.D.R. France 15½ 92 £	30	107⅞	108⅝	-0⅛	-0⅛	13.83
S.N.C.F. 11½ 89 £	30	23½	24⅛	+0⅛	+0⅛	11.80
Tenneco Int 14¾ 87 £	30	107⅛	108⅜	+0⅛	+0⅞	12.44
Coun Euro 12½ 92 LuxFr	500	104¼	105¼	0	0	11.64
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Manville accused of 'bad faith'

By Our New York Staff

MANVILLE Corporation, the world's largest asbestos company, *acted in "bad faith" when it filed for* protection from its creditors under chapter 11 of the bankruptcy code, a committee representing asbestos-related health claimants and litigants, told a U.S. court yesterday.

Manville filed for protection under chapter 11 on August 26. The company said it faced the possibility that at least 52,000 asbestos-related law suits claiming about $2bn in damages could be brought against it.

The committee, set up at the court's request to represent the views of litigants and potential claimants, said yesterday that Manville had presented rosy financial *reports to show that it was still financially sound.*

The committee argued the company should not be allowed to seek protection from the asbestos-related claims through the section 11 filing.

By projecting future financial difficulties, the committee claimed, Manville was speculating about events "over the next several decades, not just the next few years."

The chapter 11 filing has effectively blocked further legal action by the claimants

Playboy losses rise sharply

By Our Financial Staff

PLAYBOY Enterprises, the entertainments and publishing group has plunged deeper into the red in the first quarter.

Operating net losses for the period ended September 30 increased to $2.34m or 23 cents a share from $1.33m or 14 cents. Revenues also dropped from $50.5m to $47.2m.

The latest quarter's figures exclude a loss of 1 cent a share against a gain of 70 cents a share from income from discontinued operations.

This summer the group turned in losses for fiscal 1982 of $51.7m or $1.64 a share against profits of $13.7m. Revenues were slightly low*er at $210.1m against $221.5m.*

Carbide chief cautious

By Our Financial Staff

MR WARREN ANDERSON, chairman of Union Carbide, the U.S. chemicals, metals and consumer products group, said yesterday he could not foresee any pick-up in the *company's profits* until the second quarter of 1983 at least.

"We are worried about cash flow these days, not earnings," he told UK security analysts. In the first half of 1982, Union Carbide's operating profit slipped to $419m on sales of $4.6bn compared with $716m on sales of $5.3bn in the comparable period in 1981.

Mr Anderson said profits last year would have been $200m lower if the company had not cut back so stringently. The company has maintained its capital investment in its mainstream businesses, however.

Sumitomo Metal trims spending

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

SUMITOMO METAL, one of Japan's top five steel manufacturers, has reduced its investment targets for the next four years in the face of deteriorating prospects for the industry.

In a medium-term development programme drawn up at the end of 1981 Sumitomo set a figure of Y580bn ($2.1bn) for the four years to March 1986. This has now been cut by Y100bn and Sumitomo also aims to shift 3,000 workers, or 10 per cent of its labour force, into activities other than steel making.

Sumitomo Metal is the top Japanese producer of seamless pipes, a product for which demand has collapsed during the second half of 1982 after strong growth in the previous two years. The company plans to invest Y180bn in the current fiscal year, at least partly in the further expansion of its seamless pipe capacity. Investments will average Y100bn per year for the three following years—sharply lower than the levels projected in the four-year programme.

Like other major Japanese steel manufacturers Sumitomo is almost certain to report a loss (before extraordinary items) on its operations during the second half of the current year, and, with the others it has been receiving re-training subsidies under a Ministry of Labour training scheme.

Japanese steel production this year is expected to fall below 100m tons for the first time since the early 1970s, reflecting stagnant domestic demand and difficult conditions in nearly all export markets. Sumitomo estimates that production will remain at roughly its present level for the next four years. As recently as December last year Japan's Iron and Steel Federation was forecasting output of 115m tons in 1985.

Apart from cutting production and relocating workers Sumitomo will make a major effort over the next few years to cut steel making costs by reducing energy consumption and streamlining manufacturing processes. The company has set itself a cost reduction target of Y3,000 per ton per year.

Japanese companies are being undercut in the production of ordinary steel by new industrial countries such as Korea. They have reacted by moving into higher added value sectors such as strength or extra clean steel but the industry needs to remain competitive in ordinary steel making in order to survive on anything like its present scale.

Advance in first-half results for Fuji Heavy Industries

BY YOKO SHIBATA IN TOKYO

FUJI Heavy Industries, a leading Japanese manufacturer of mini cars and other engineering products, reported record earnings for the first six months to September, thanks to a boost in sales of mini cars in the domestic market and exchange gains resulting from the yen's fall.

Half-year unconsolidated pre-tax profits advanced by 27 per cent to Y18.15bn ($66m) and net profits were 18.1 per cent higher at Y7.44m. Sales rose by 9.8 per cent to Y281bn. Profits per share were Y24.72, against Y21.01 and the interim dividend is held at Y3.5 per share. An unchanged total of Y7 is forecast for the year.

The company sold 248,880 vehicles in the period up by 6 per cent, with domestic sales rising by 21.6 per cent to 132,853 units and exports falling by 7.4 per cent to 116,027 units. Sales of sub-compact cars declined both at home, by 6,000 units, and overseas, 4,358 units, but this was more than offset by a 37 per cent rise in sales of mini cars in the domestic market to 109,697 units.

In addition to the sales success of the newly introduced Lex series of mini cars in the domestic market, Fuji's new sales networks through the Agricultural Co-op contributed to the good sales of mini cars in general.

Aircraft sales rose by 53.6 per cent to account for 4 per cent of the total and sales of buses also improved by 16.5 per cent to account for 6 per cent. Exports rose by 7.5 per cent to account for 49.5 per cent of the total.

An increase of Y11.7bn in expenditure was more than covered by the benefits of Y9.7bn from the yen's depreciation and rationalisation efforts.

In the current half year the company plans to sell 20,000 units more than in the first half for a full year total of 510,000 units, up 4 per cent from the prvelous year. Foreign exchange gains of some Y9bn are expected in the current half and full year pre-tax profits are projected at a record Y33bn, up by 12.6 per cent, on full year sales of Y570bn, up by 6.8 per cent.

Sales fall at Mitsubishi Motors

By Our Financial Staff

MITSUBISHI MOTORS, the Japanese vehicle maker in which Chrysler of the U.S. has a 15 per cent stake, has reported a 3.1 per cent drop in net earnings for the six months ended September because of slower demand at home and abroad.

Net earnings of the company, which is the fourth largest car maker in the country, slipped to Y8.1bn ($29.5m) from Y8.37bn a year earlier. Sales declined by a similar margin to Y521.21bn ($1.9bn) from Y541.32bn.

Exports of commercial vehicles showed a 30 per cent drop from the year before.

Total vehicle sales in the six months were 514,500 units, a drop of 12.3 per cent.

● DAIHATSU MOTOR COMPANY, a leading mini car producer which is affiliated to the Toyota group, has reported consolidated net profits of Y5.03bn ($18.2m) for the year, ended June 30, Kyodo reports from Osaka.

Sales totalled Y451.1bn and pre-tax profits Y6.11bn. Net profits per share were Y13.26.

This is the company's first consolidated financial report and no comparisons are available.

Price cutting hits Ricoh pre-tax profits

By Our Tokyo Staff

RICOH, a Japanese manufacturer of copiers and other business machines suffered an 11 per cent fall in pre-tax profits to Y8.95bn ($32m) in the six months ended September 30 1982, reflecting a deterioration in earnings from plain paper copiers (PPCs) caused by intense competition and price-cutting.

Unconsolidated net profits declined by 15.7 per cent to Y4.11bn. Sales came to Y157.11bn, up by 9.4 per cent. Profits per share were Y11.65 against Y15.34.

The company's main business, sales of copiers, accounting for 57.1 per cent of the total turnover, remained unchanged over the previous year. Sales of PPCs in the domestic market rose by 10 per cent, but exports declined by 15 per cent, because of inventory adjustments.

An upturn in demand for copiers, as well as an expansion in sales of facsimile machines, printers, and semiconductors are expected in the second half. Full-year sales are projected at Y325bn, up by 10.3 per cent and pre-tax profits at Y18bn, down by 5.3 per cent. The company plans to increase the dividend total from Y9 to Y10.

Sappi reveals details of R150m rights issue

BY OUR JOHANNESBURG CORRESPONDENT

SAPPI, the largest producer of pulp and paper in South Africa, is to complete the financing of its R800m ($690m) expansion programme with a R150m rights issue. The issue will be underwritten in its entirety by Sappi's 57 per cent controlling shareholder, the mining house, Gencor. In addition, Gencor will be taking up its allocation.

R85m is to be raised through an issue of 17m convertible participating preference shares at a price of 500 cents each on the basis of 55 for every 100 ordinary shares held.

The dividend on the preference shares will consist of a fixed element of 37.5 cents, while, in addition, they will qualify for a dividend equivalent to one-third of that paid on each ordinary share. They will be convertible on the basis of 2½ preference shares for one ordinary share between May, 1987 and May 1989.

The second rights issue, which will raise R65m, is of 210 redeemable preferred for every 100 ordinary shares held, at a price of 100 cents each. The preferred shares carry a 13 per cent fixed dividend and are redeemable at par at the end of 1988. They do, however, carry an option for Sappi to convert them to ordinary shares at market related prices during 1987 and 1988.

Companies and Markets **INTERNATIONAL COMPANIES and FINANCE**

France spells out chemicals shake-up plan

BY DAVID WHITE IN PARIS

THE FRENCH Government has laid down its plans for splitting up the loss-making chemicals division of Pechiney Ugine Kuhlmann among other nationalised companies, led by the Elf-Aquitaine oil group.

The plan forms the most important part of the Government's bid to reshape the French chemical industry, under discussion since it came to power a year and a-half ago.

Sale of the Pechiney unit, Produits Chimiques Ugine Kuhlmann (PCUK), which has current turnover of about FFr 10bn ($1.4bn) a year, was already under discussion before the election, but plans for a takeover by Occidental Petroleum of the U.S. were nipped in the bud.

While the outlines of the new industrial structure are now clear — based around three groups, each with its specialised interests — both the financial details and the future of the 14,000 jobs involved in the transfer remain to be resolved. The companies are due to report on these questions within the next month.

In particular, a financial arrangement has to be made with the state-controlled Elf-Aquitaine, whose chairman, M Albin Chalandon, has already expressed reservations about the cost of the extended role which the Government wants to give it in this troubled sector.

Pechiney, which lost some FFr 885m in chemicals last year, has already sold its dye interests to ICI of Britain.

Under the new plan, the biggest share of the remainder is to go to Elf. This involves all PCUK's halogen activity, notably chlorine-based products, and covers 11 French factories and several French and overseas subsidiaries. The whole research unit is also due to go to Elf.

Health products and pharmaceuticals, including the specialised Pechiney subsidiary Pharmuka, are to be transferred to Rhone-Poulenc, the leading French company in the sector, along with three inorganic chemical plants in France and Belgium. Rhone-Poulenc is also called upon to co-operate with Elf in fluorine-based activities.

The other main element involves CdF-Chimie, the chemicals unit controlled through the French national coal board. This is to take over PCUK's activity in plastics, and a Pechiney printing ink subsidiary, Lorilleux-Lefranc. The plan also provides for it to take Elf-Aquitaine's polyester unit at Chauny in north-eastern France.

The plan is aimed at reinforcing each of these three groups in specific areas, but avoids splitting up responsibility for individual sites.

Munich Re faces harder times

BY JONATHAN CARR IN BONN

MUNICH REINSURANCE, the world's biggest reinsurance concern, resembles a castle built in an earthquake zone. Its latest results show a striking ability to defend the traditional dividend and strengthen reserves, even when under grave pressure.

But at the annual press conference the tremors from the world insurance market were disturbingly evident — even amid the massive pillars and thickly-carpeted floors of Munich Re's headquarters.

At first sight the company and its shareholders (which include Allianz Versicherung with 25 per cent and Commercial Union with 5 per cent) seem to have little cause for worry.

Herr Horst Jannott, the managing board chairman, expects premium income to rise this business year (to June 1983) by about 8 per cent to nearly DM 10bn ($3.9bn). Barring major unforseen developments, overall profits should be sufficient to allow payment of a maintained 18 per cent dividend. Last year, Herr Jannott noted, net profits rose by DM 45m after DM 36m before Munich Re's provision against possible major claims could be boosted once more.

But behind that positive overall result lies a deeply worrying trend. Senior company officials stress that it reflects disturbing and even dangerous developments on the world insurance market over which Munich Re, despite its size and prestige, has only limited influence.

Last year the company only produced a better overall result because of greatly increased profits—up from DM 180m to DM 333m — on its so-called "general business," primarily investment income. These profits thus more than made up for a sharply rising loss—to DM 248m from DM 115m—suffered by the company on its reinsurance business alone. The worrying point is that the deterioration has not been caused by a sudden big claim—for example, because of a hurricane or an air crash—but largely by deteriorating results from the broad bulk of Munich Re's reinsurance activities (excluding the life sector).

MUENCHENER RUECKVERSICHERUNG

RESULTS	81-82	80-81
	D-marks (m)	
Gross premium income	9,200	7,980
REINSURANCE		
Life	40.7	31.2
Liability, accident, motor	−44.7	−23.9
Marine and aviation	−33.9	−3.9
Fire	−136.6	−97.2
Other classes	−93.9	5
Total	−248.5	−115.8
Investment income	782.6	649.6
Net profit	45.4	36.4

That is true above all for the company's foreign reinsurance activities.

After three successive years of profit, foreign business went into the red in 1980-81 and made a still bigger loss last year. Indeed the loss on foreign reinsurance activity in 1981-82 was higher than that sustained at home.

Increasing world economic interdependence is making it harder for insurers and reinsurers to spread their risks. In the past, problems associated with economic downturn in one country could be counterbalanced for the insurer by positive developments in another. Further, underwriting losses made in one year could often be made good through profits in the next. Now, the same kind of difficulties are afflicting many countries simultaneously and the loss-making period of the underwriting cycle is growing.

All that means a growing burden of risk. That in turn implies that there should be a tightening of the conditions under which the insurance is offered and a strengthening of the reserves of the companies offering the policies. But Munich Re says that all too often this is not the case. Instead there has been a trend towards cut-throat competition stimulated not least by the exceptionally high level of world interest rates.

Many insurers felt able to take losses on their underwriting, and even cut premium rates further, because of their earnings from high interest rate investments.

Hapag-Lloyd sees heavier loss this year

By James Buchan in Bonn

HAPAG-LLOYD, the largest West German shipping company, faces serious losses this year because of the weakness of the market for sea and air freight.

The company said losses would be higher this year than last, when only special earnings from disposals of aircraft made possible an after-tax profit of DM 13m ($5m).

Losses this year could be as high as DM 100m, over half the shareholders' funds of DM 180m, which would oblige the company to call an extraordinary general meeting of shareholders, as is required by German law.

The supervisory board is due to meet on November 25 to discuss a further "slimming down" in the problem divisions, such as the air and oil-tanker fleets and the freight-forwarding subsidiary.

Swede who will make robots in Japan

BY CHARLES SMITH, FAR EAST EDITOR, IN JAPAN

FEW OF the famous companies in Japan today have been in business for more than 60 years. That makes them younger than Gadelius KK, the Swedish trading company which imported its first marine diesel engine through the port of Yokohama in 1907 and has never looked back since. Gadelius celebrated its 75th anniversary on Sunday with a move to bigger and better offices. Its chairman, Mr Jonas Goro Gadelius (son of the founder), also celebrated by arranging the first licensing agreement for the manufacture in Japan of a Swedish robot.

Gadelius's founder, Mr Knut Gadelius, was a German educated Swedish businessman who noted the absence of Swedish goods in Singapore while on the way home from working on an Indonesian tobacco plantation in 1887 and decided to start a company in Singapore to import them.

Gadelius AB was registered in Gothenburg in 1890 after the Swedish Government and Swedish industry had each agreed to put up $1,200 to support the venture. In 1907, two years after victory over Russia had "boosted the industrial ego of Japan" (as Gadelius's son puts it), Gadelius KK set up shop in Yokohama.

The Japanese Gadelius started by importing fire pumps (some of which did sterling duty in the Great Tokyo earthquake), diesel engines for ships, and special steels. The company flourished during and after the First World War (by that time the Singapore office had been closed) but encountered hard times in the 1920s, when the Japanese economy went through a difficult period.

Mr Knut Gadelius and his Swedish wife brought up five sons and two daughters in Tokyo. Each son was given a Japanese name, and Taro, the eldest, took over when Mr Knut Gadelius died in 1932.

During the Second World War the Gadelius family stayed in Sweden but Gadelius KK continued to function — commissioning sub-contractors to make the machines that had previously been bought from Sweden. In 1948 the family returned and Gadelius began picking up barter contracts under the U.S. occupation (involving the exchange of machinery for textiles and porcelain).

The company's post-war business started to flourish when the U.S. authorities decided to chart Japan's natural resources and Gadelius was given the contract to supply the drilling equipment. In the mid-1950s Japan built three paper and pulp mills and Gadelius supplied the Swedish machinery for them.

Gadelius today has an annual turnover of about Y40bn, of which roughly one-third consists of imported machinery (mainly from Sweden), while most of the rest is made up of Swedish products manufactured under licence in Japan by about 20 sub-contractors — in some of whom Gadelius maintains a minority interest.

Mr Jonas Goro Gadelius notes rather wistfully that in the 1960s the proportions were the other way about. The use of licensed sub-contractors, however, has enabled the company to continue dominating some markets (like that for the supply of air pre-heating equipment to electric power generating companies) which it originally entered as long ago as the 1920s.

Gadelius KK ceased to be a family concern in 1974, when it became part of the Swedish Flakt group (which in turn belongs to the Asea machinery empire). A Flakt executive, Mr Gunnar Arnesson, is president of the Gadelius group, which now once again owns companies in South-East Asia. Mr Jonas Goro Gadelius has an only daughter and his nephews are "not interested or not ready" to join the company. He himself continues to take pride in the fact that Gadelius is "one of the oldest going concerns in Japan."

Deputy chief executive of Korf Stahl resigns

BY STEWART FLEMING IN FRANKFURT

KORF STAHL, the West German engineering group with extensive interests in the U.S. said yesterday that Dr Wolfgang Bernhardt, its deputy chief executive, had resigned from the managing board after some 10 years during which he had been closely associated with the company's growth.

Dr Bernhardt refused to comment on reports on the West German news agency, VWD, that in the past few months differences had emerged over the future of the Korf group.

The agency quoted both Herr Willy Korf, the founder and major shareholder of the group, and Herr Bernhardt describing the resignation as "a rational decision." It added both men maintained that the personal relationship between them remained undisturbed.

Dr Bernhardt will remain a member of the Korf supervisory board.

Herr Korf is one of West Germany's best known entrepreneurs. He has built up the steel interests in the face of heavy international competition.

In 1981 the company plunged into losses. On sales of DM 1.27bn it reported a loss of DM 34.1m ($13.2m), mainly as a result of the difficulties in its steel sector. It has indicated that it is expecting further losses in 1982.

Sears sells Spanish unit

SEARS ROEBUCK, the diversified U.S. retailing company, has agreed to sell its subsidiary, Sears d'Espana, to Gallerias Preciados for $20m, writes Our Financial Staff.

Sears d'Espana operates three department stores and 21 small hard line stores in Barcelona and Madrid.

The stores' name will be changed to Gallerias Preciados after completion of the sale on January 17.

The sale of Sears' brand-name goods will be expanded through a 10-year exclusive contract for Gallerias Preciados Stores, which will buy goods from Sears World Trade Inc.

Gallerias Preciados, part of the Rumasa group, has 77 commercial operations including 24 department stores.

Sears said recently that the subsidiary had been recording losses. The sale would have a nominal effect on group earnings. The U.S. retailer will continue to operate about 77 retail stores and 47 sales offices in 12 foreign countries.

The international operations accounted for only 3.5 per cent of sales and 2.5 per cent of net income last year.

Papermakers carve separate paths in South Africa

Mr Reg Donners, managing director, Mondi

Mr Chris Griffiths, chairman Mondi

SAPPI, the South African papermaker yesterday announced details of a R150m ($130m) rights issue. It is the largest share issue in South Africa for more than three years, but it tells only one half of the story of remarkable developments in the Republic's forest products industry.

That industry is dominated by two companies—Sappi and Mondi. Sappi is a public company with total assets of R545m, controlled by Gencor, the major (and Afrikaner) mining house. Mondi is also going to its shareholders for R150m—but it is an unlisted private company with Anglo American group shareholders. Both companies need the cash to finance new projects which are the biggest private sector developments in South Africa today.

But there are fundamental differences in concept and planning and, not surprisingly the rivalry between Sappi and Mondi—or Gencor and Anglo—has been edging close to mutual abuse. Sappi is making the running so far, moving faster and, in the eyes of its critics, more dangerously. Eventually, the result will be a transformation in South Africa's pulp and paper capacity and, in turn, in its export role.

Both companies are prepared to brave the recession and to build with an eye to an upturn in the mid-1980s; both claim as a result to be getting low and fixed-price tenders for the imported plant. Both believe that the domestic market is poised for a dramatic rise (consumption is presently about 30 kg per capita, compared with about 130 in, say, Australia and 270 in the U.S.). Both are aware of the potential export market in the Far East, where South African suppliers would have an advantage in transport costs: Japan.

The two companies are staking their future on the fact that timber grows about five times faster in South Africa than in Northern Hemisphere countries and that other costs such as power, are also comparatively low. According to Sappi, for example, softwood logs at roadside cost are R10 per cubic metre in South Africa, compared with R17 in the U.S., and R24 in Sweden.

Yet the two projects are very different.

Sappi is well advanced with a R800m integrated pulp, newsprint and liner board mill at Ngodwana in the Elandsriver Valley in the cloudy (and tree-covered) hills of the Eastern Transvaal. Construction work started on the site (where there is an existing Sappi mill) in August 1981; the first structural steel went up last March; production is planned to start up in May 1983 to reach full capacity in June 1984. Sappi, under Mr Eugene van As, the managing director, is demanding maximum speed ahead, which has led inevitably to grumbles of chaos from some of the subcontractors.

The fundamental point is that Sappi is focusing its future on a massive mill, deliberately sited in the middle of timber country—average distance of logs from mill in estimated at 90 km.

Down at Richards Bay, South Africa's giant new port in Northern Natal, the Mondi project is moving at a less frenetic pace. The site is big — 400 hectares, which gives plenty of room for expansion — and the infrastructure is still being laid down, with a completion date of October, 1984 for a R600m chemical pulp mill and liner board operation. An important part of the thinking is to double Mondi's exports, hence the harbour site: "Conceptually, we are hell bent on exports," says Mr Reg Donner, the managing director. But the timber will have to be brought in by rail and truck, not just from nearby Kwazulu and Natal, but also 400 km-plus from the Eastern Transvaal, with the new railway through Swaziland an important element.

This is where the two companies differ outspokenly. Environmental factors loom large in the argument. Mondi managers point out they will have no trouble with effluent as it can be piped out 5 km into the Indian Ocean. Sappi replies that not a pint of effluent will escape into the trout rivers of Eastern Transvaal, because it will be pumped into 600 hectares of irrigated farmland near the mill. But as an almost accidental bonus, Mondi is going to benefit from South Africa's substantial and recently improved decentrialisation incentives, whereas Sappi apparently will not.

Sappi's Ngodwana plant will raise company output from 600,000 tons per annum to 860,000 tons of pulp, paper and tissue. Mondi with Richards Bay will eventually (though not till after 1984) produce 470,000 tons of pulp—and out of this 200,000 tons of liner board. The joint achievement will then be to replace South Africa's present imports of 150,000 tons of pulp a year and 15,000 tons of liner board, and to give the country, through the two companies, an export capacity by 1985 of 250,000 tons of pulp a year, 170,000 tons of liner board and 70,000 tons of newsprint.

Mr Eugene van As, managing director of Sappi, and Mr Basil Landan, chairman, have put their faith in the expansion of the South African paper industry, like its rival, Mondi, braving recession

Both companies agree that world demand is poised for a strong rise in the late 1980s, but both are looking mainly at the Far East. It remains to be seen whether they are too optimistic.

The financing of Mondi is straightforward in that it requires R150m of internal group funds from Amic, Anglo American and De Beers, plus R450m which has been put together from Nedbank, Standard Barclays and Trust Bank. Although Mondi is a private company, it was recently revealed that 1981 turnover was R325m and profits R37m on capital employed of R299m.

Sappi is much more complicated—not surprisingly for a company presently valued at about R250m on the stock market which is going ahead with an R800m project.

Export credits have provided about R160m; R30m has come from Eurocurrency loans; and about R470m from two consortia of South African banks in an ingenious package of loans, leasing and suspensive sales, helped by very generous tax allowances.

Its rights issue is expected to centre around an issue of convertible preference shares. Gencor has made it known that it will be following its 57 per cent rights (to take up about R86m). There are no other significant single shareholders.

Eugene van As is talking bravely. After all, when you look at the bedlam of activity at Ngodwana today, you see that he and his chairman, Mr Basil Landau, must have their heads on the block.

J. D. F. Jones

INTERNATIONAL COMPANIES and FINANCE

The Woolmark's struggle with the synthetics giant

By Anthony Moreton, Textiles Correspondent

THE INTERNATIONAL Wool Secretariat occupies a very select corner of London. It lies behind the Reform Club, watering hole of the Treasury mandarins, and across the road from the Foreign Secretary's official residence in Carlton Gardens. From its front door, across those gardens, it looks onto the Athenaeum, the ace of clubs.

The IWS is by no means out of place in this august company. It is a highly-respected world organisation with the job of creating a climate in which more wool will be demanded, boosting the incomes of the producers who are its sponsors.

Recently it has begun to face increasing pressure on its activities both from outside and within. The synthetic fibre producers have launched the most serious attack on the role of wool for the past 10 years and from inside, both Australian and New Zealand sheep farmers have begun to wonder how much more they can put up to support the IWS.

The question they are asking is whether the organisation could not adopt a more positive approach to promoting wool. The IWS follows such a low-profile approach that it is almost possible to hear the reverential silence along the corridors of Wool House. Sounds are muffled by furniture (woollen upholstered, of course) sitting on pure-wool carpets. The executives wear wool clothes and even the lift has wool-upholstered panels.

Since the IWS was set up in 1937 it has been remarkably successful in persuading people around the world that wool is a very superior fibre, especially compared with man-made names such as acrylic, polyester or nylon.

Unfortunately, that appreciation has not been translated into market-share. Because of the limitation of available land for sheep, wool accounts for only 5 to 6 per cent of all the fibres used in the world compared with 9-10 per cent 15 years ago. This share is swamped not only by the 40 per cent share taken by synthetic fibres made by concerns such as ICI, Hoechst and Du Pont but also by the 45 per cent claimed by cotton, a very natural fibre.

To exacerbate matters, wool is now under such growing threat from the synthetic-fibre manufacturers which are developing and marketing new products that its share of the total fibre market is likely to continue to decline, further endangering the incomes of sheep farmers already hit by high interest rates, inflation, drought and volatile exchange rates.

To meet this attack, Dr Gerald Laxer, New York-born and the first non-Australian to sit in the managing director's chair, has drawn up a carefully planned strategy. The basis of this is:—

● Concentration on boosting demand for woollen products in the high-income, industrialised countries;

● Achieving greater quantities of wool used in certain high-value areas, such as carpets, menswear, women's wear and knitwear.

● Pushing acceptance of the Woolmark symbol which denotes 100 per cent pure-new wool products;

● Seeking to raise income from areas other than those provided by the IWS's four sponsor countries;

● Using the facilities of the IWS's research centre at Ilkley, in Britain, to develop more technologically advanced products;

● Undertaking a bigger drive towards influencing the retailers which are becoming increasingly important in fabric decision-making.

RAW WOOL PRODUCTION
Greasy—'000 tonnes

	Average 1972-73 to 1976-77	1978-79	1979-80	1980-81	1981-82
IWS sponsors					
Australia	737	704	709	700	711
New Zealand	301	321	357	381	375
South Africa	106	102	103	105	107
Uruguay	63	63	70	81	72
Communist					
China	123	136	153	176	189
Romania	31	36	37	37	39
Soviet Union	444	467	478	461	474
Western world					
Argentina	181	171	171	170	173
Pakistan	24	36	39	43	46
Turkey	52	57	59	60	61
U.S.	66	47	48	49	51
UK	40	49	48	52	51
World total	2,672	2,710	2,803	2,856	2,893

Source: Commonwealth Secretariat


Hugh Routledge
Gerald Laxer: carefully planned strategy

There are already signs of success. In the U.S., where annual consumption of wool had dropped to 80m kgs in 1975, demand has climbed back to 115m kgs. "A very significant increase," Dr Laxer claims.

There are also welcome signs from some of the developing countries and, in particular, from China. "China has established a more sophisticated wool textile industry with our help," he says. "There are now 29 mills licensed to use the Woolmark and China has agreed it will take more from both Australia and New Zealand. We see a lot of potential from China, provided it is handled properly."

The IWS was set up largely at the instigation of Australians and New Zealanders, the two countries with the largest number of sheep in the non-Communist world. Australia has 136m sheep—only Russia with 144m has more and only China with 120m comes anywhere near. New Zealand has 68m. The third founder was South Africa.

These were joined by Uruguay in 1969 to form the organisation. There are important countries with large flocks outside it, including Argentina, Turkey, Britain, Pakistan and India. Although these play no part in funding IWS the organisation considers it is spending its 1982-1983 budget of £56m for their benefit as much as for its four paymasters.

By far the largest contribution to the budget is made by Australia. And now there are murmurings among the big farmers, especially on the influential Australian Wool Council, about what the grower, as he likes to be called, is getting from the IWS.

What he gets, apart from the new strategy, is representation abroad. The IWS has offices in 28 countries and operates in another 16. But, despite all the promotional activity, of which the launch of the Woolmark blend in 1964 (since licensed to some 15,000 concerns) is probably the best known, wool's share of the fibre market continues to drop.

That fall looks like continuing. Changing life styles, which have seen the demise of men's overcoats, women's "sensible" suits, the relegation of men's two- and three-piece suits virtually to the over 35s have hit wool badly. This is the age of casual wear. Central heating and heated cars have made lighter-weight clothes acceptable even in winter across much of the globe.

To reverse the decline the IWS would like to spend more but the growers are wary of putting up more money when their own incomes are under pressure. Since the mid-1970s the IWS's budget has declined slightly although it has held steady for the past two years in real terms and in the current year has actually gone up by 10 per cent in real terms.

The Secretariat argues the extra money is needed because of the challenge being mounted by the synthetic-fibre producers — the most serious for a long time.

European fibre capacity is being cut back to make the industry more competitive and many manufacturers are putting their heads above the parapet for the first time in a decade and launching products with branded names, aimed directly at the heart of wool.

ICI Fibres has brought out Timbrelle S as a new carpet fibre and claims in its advertising that its the best—"baa none." It has also launched Mitrelle, a polyester fibre that looks like silk, and Terina, which simulates suede. From America Du Pont has joined the game with Antron Plus, a new carpet nylon.

The synthetics people are also thinking of launching their own symbol to take on the Woolmark. Synthetics are moving upmarket.

The strategy which Dr Laxer has evolved has to be seen in conjunction with a rolling management programme which he introduced in 1980.

The major management shake-up took place in 1979 when the operation was restructured. "I had to cut down top management considerably," he states, "to get more communication between top management and the sharp end of the business, which is in the branches where we create wool demand.

"Our problem was that not all the branches were pulling in the same direction.

"The structure I inherited had been in existence since 1962 and I very strongly felt we needed a new direct line of command and a streamlined operation so that it could effectively communicate with the line management. It was necessary to introduce a high degree of control at the centre while delegating responsibility. It sounds like something from a textbook but it is true."

The result has been that the workforce of 1,400 which Dr Laxer inherited has been cut to just over 1,000. The organisation is more slim-lined.

What Dr Laxer has done is to push wool up-market. Wool is never going to compete with the cheap synthetic fibres which can be produced almost endlessly from highly capital-intensive equipment on long production runs in countries such as Taiwan or South Korea.

But it can trade on the success of the Woolmark label by concentrating on the superior, expensive products. In Japan men will pay £1,000 for a pure wool suit. In the U.S., France and Germany wool has immense appeal. These rich markets can provide profit for the growers even if wool's share of the fibre market declines. The IWS has chosen this strategy because it believes the farmer must get a greater profit from each pound of wool if he is to survive.

Dr Laxer, is therefore, anything but pessimistic about the world wool scene that, in 20 months time, he will leave. "In times of recession people want value for money. In the 1960s and 1970s we had a society that was very much in sympathy with synthetic fibres. It was the throwaway era.

"Now people want products which are of high aesthetic quality, durable and fashion-right. That's what we are giving them with wool."

WORLD SHEEP POPULATION
million

	1970-71	1980-81
Soviet Union	138.1	141.6
Australia	177.8	134.4
China	88.0	104.9
New Zealand	58.9	71.2
Turkey	36.5	46.7
India	40.7	40.0
Iran	34.0	33.8
UK	26.0	32.3
Argentina	37.0	30.7
South Africa	28.9	28.3
Total	925.0	1,005.0

De La Rue forecasts big profit recovery

FOR THE six months ended September 30 1982 the De La Rue Company, security printer and supplier of electronic equipment to the printing industry, returned pre-tax profits of £10.75m, a 2.3 per cent gain on the £10.51m achieved for the same months last year. A big recovery is forecast for the full year.

Sir Arthur Norman, the chairman, says the results overall were very much in line with expectations and with the outlook given to shareholders in June. The net interim dividend is being held at 6.6p per 25p share.

Commenting on the outlook he says that in current conditions, competitive pressures created by world recession make it necessary for greater volumes than ever to be sold in order to achieve a given level of profit.

He adds that the group as a whole has therefore been intent on improving market shares, with a "considerable degree of success," and that the results of this effort, combined with a renewed attack on costs, are expected to show through in the second half.

The chairman points out that the directors have no reason to change their views that because of events earlier this year the inequality between the first and second halves will be considerably more pronounced than usual.

He says trading trends in most sectors of the business are good and results for the year as a whole are expected to show a "substantial recovery" from 1981-82—taxable profits for that year came through at £21.94m, compared with £33m previously. A final dividend of 15.48p was paid.

Sales for the first half of the current year advanced from £91.55m to £94.01m with the security side's contribution lower at £74.8m (£77.56m) and that of Crosfield Electronics higher at £19.2m (£14.29m). Exports declined by £6.11m to £42.06m.

Group trading profits slipped from £6.96m to £6.23m and were made up as to security £9.09m (£11.56m). Crosfield Electronics £3.87m loss (£5.68m loss) and net interest received and surplus arising on central management charges much the same at £1.01m (£1.09m).

The pre-tax figure included an increased share of associate profits of £4.52m, against £3.35m for the corresponding six months.

Profits after tax emerged £1.46m lower at £7.37m and after minorities of £962,000 (£593,000) and same-again preference dividend payments of £6,000 profits available to ordinary shareholders fell from £8.23m to £6.4m.

Stated earnings per share dropped by 4.8p to 16.8p.

See Lex

Whitbread up 11% to £43m midway

FIRST HALF taxable profits to August 28, 1982 of brewer Whitbread and Company advanced by 10.9 per cent from £38.54m to £42.72m on turnover 9.7 per cent ahead at £455.15m compared with £415.06m.

The net interim dividend is effectively raised from 1.5p to 1.65p. Earnings per 25p share are given as 7.97p (7.73p) basic and 7.84p (7.67p) fully diluted. Last year a total dividend of 4.9p (adjusted) was paid from pre-tax profits of £73.19m.

The directors say that despite the uncertainties of the economy and the continuing problems of the beer market, they are quietly confident that with the efficiencies achieved in the UK business, the group will produce a "satisfactory" year-end result.

In the six months under review the rate of decline in the total beer market slowed down. Within that, the lager market returned to growth despite the effects of the recession. With key brands like Heineken, Stella Artois and Kaltenberg Diat Pils, the group has been well placed to take advantage of this upturn, they say.

The group's bitters, led by Trophy, held their own despite intense competition. Local ales such as Flowers Best Bitter, Wethereds, Fremlins Bitter, Chesters, Castle Eden, Welsh Bitter, Best Scotch and Pompey Royal performed well. Gold Label and Mackeson continued to dominate their respective sectors.

In world whisky markets the steady demand for the group's Long John products was maintained, although trading conditions for Scotch continued to be difficult. Scoresby Rare, the Scotch brand of Highland Distillers of California, improved its market share still further in the U.S. In the UK the introduction of Braemar into Threshers was successfully accomplished.

The group's table wine sales were buoyant. Stowells of Chelsea Wine Box enjoyed a "spectacular" increase in sales and remains the clear market leader in this sector, the directors say. Langenbach sales in the UK are going well and the brand is building a firm base in the U.S. market. Calvet wines retain their strong position in Japan, Germany, Scandinavia and the UK, they add.

A growing contribution to profit continues to accrue from the expansion of catering and retailing activities. Beefeater Steak Houses' expansion programme has extended to 111 outlets and continues to return an encouraging profit performance, the directors say.

A majority interest in Calvet SA, a leading exporter of French wine, and the business of Goodhews (Holdings) were acquired during the first half, which also saw the formation of a joint venture company, Pizza Hut (UK) with Pesico, to operate the Pizza Hut chain of restraurants. On October 18 1982, the acquisition in the U.S. of Julius Wile Sons and Co. Inc. with a 49 per cent interest in All Brand Importers Inc. was announced.

Taxable profits were struck after depreciation of £13.01m (£12.41m), interest payable less receivable of £6.73m (£6.23m) and foreign exchange losses of £170,000 (£161,000 gains), and included income from trade investments of £1.92m (£2.18m).

Tax took £12.12m (£8.93m).

There were extraordinary debits of £1.25m (£219,000 credits) and after minority interests of £38,000 (£22,000) and preference dividends of £207,000 (same) the attributable profits emerged at £29.11m (£29.6m). The interim dividend absorbs £6.28m (£5.7m).

Current cost adjustments reduced the pre-tax profits to £30.5m and earnings per share to 4.78p.

See Lex

HIGHLIGHTS

Lex today looks at the bank lending figures, the Government borrowing figures and considers the general response to the Chancellor's mini-Budget. It goes on to examine Commercial Union, which has shown another serious underwriting loss in the three months to September, but has signalled that it will maintaine dividend. The column goes on to discuss De la Rue where little changed first half pre-tax profits of £10.75m hide continuing losses at Crosfield Engineering. Better margins on slightly lower beer volume enabled Whitbread to lift mid-year profits by 10 per cent and Smith Industries full-time profit is again around £26m.

Second half fall leaves Smiths Inds. at £26.5m

SECOND HALF pre-tax profits of Smiths Industries fell by £1.09m to £15.29m, compared with the corresponding period last year and left figures for the full year to July 31 1982, much the same at £26.46m, against £26.35m previously.

However, an increased final dividend of 7p (6.8p) raises the net total from 10.5p to 11p per 50p share. Stated earnings per share after tax are given as 51.1p (50.9p).

Group turnover for the year amounted to £385.9m and trading profit emerged at £32.3m. Respectively, they were £18.3m and £1.5m higher than those for 1980/81—the group's interests are in the aerospace, automotive, distribution, industrial, marine, and medical industries.

Profits from the aerospace and defence companies were maintained and their order books remained firm. The rate of loss on automotive activities was reduced and industrial businesses maintained their results in difficult trading conditions.

Distribution activities showed some recovery from the near break-even result of the first half although they continued to operate in depressed markets. Results in Australia reflected the recession in that country and the South African company, after three years of rapid growth, had a very disappointing year. Medical activities once again produced "excellent" results—trading profits rose from £5.32m to £8.2m.

It is pointed out that the group balance sheet remains strong and that borrowings at year end were equivalent to 19 per cent of total funds employed, the same as at the beginning of the year.

Trading profit was struck after charging redundancy payments of £2.5m (£1m) additional to those absorbed against provisions made in previous years, and depreciation of £7.2m (£5.4m).

Tax paid rose from £6.88m to £9.27m and was charged at a rate of 35 per cent, compared with 26 per cent in 1981 when capital expenditure was particularly heavy. Net profits dropped from £19.47m to £17.19m. Minorities accounted for £84,000 (£138,000).

A divisional breakdown of turnover and trading profits for the year shows: aerospace £93.95m (£87.6m) and £12.6m (£12.5m); automotive £55.2m (£56.3m) and £125,000 loss (£2.04m loss); distribution £61.65m (£62.7m) and £1.16m (£1.9m); industrial £58.9m (£47.05m) and £5.51m (£5.03m); marine £26.96m (£29.35m) and £2.05m (£2.57m); medical £32.45m (£25.16m) and £5.2m (£5.32m) and Australia/South African £56.8m (£69.45m) and £2.95m (£5.56m). Inter-company sales totalled £6.8m (£8.95m).

See Lex

CU slumps to £24m at nine months

FOLLOWING a rise in underwriting losses from £98.1m to £179.9m, taxable profits of the Commercial Union Assurance Company fell from £66.1m to £24.3m in the first nine months of 1982. Total premium income rose by 11 per cent from £1.42bn to £1.58bn.

Net investment income after loan interest advanced by 22 per cent from £142.9m to £173.5m, life profits moved ahead by 30 per cent from £19.7m to £25.5m and there were increased associates profits of £5.2m (£1.6m). The premium income was made up of life business of £247.6m (£230m) and non-life of £1.33bn (£1.19bn).

A breakdown geographically of the underwriting losses shows: U.S. £125.9m (£69.1m); UK £32.4m (£4.8m); Netherlands £8.6m (£6.3m); Canada £6.8m (£15.7m) and the remainder £8.2m (£2.2m).

The directors point out that difficult trading conditions in the U.S. continued to be the main cause of the poor underwriting results. In particular, adverse claims experience for liability and workers' compensation business arose from the recessionary conditions and competition for personal lines business depressed premium rates in this class.

Action has been taken to increase premium rates at the cost of losing some business in commercial lines. In private automobile, rate increases are now averaging 15 per cent per annum.

In the UK, market overcapacity and conditions arising from the recession resulted in the increased underwriting losses. Additionally the UK contributed to substantial weather related losses amounted to approximately £33m more than in the same period in 1981. In the third quarter the experience in UK commercial business was particularly poor and the group is now hardening its rates in this class.

In the Netherlands the directors say the overall contribution to profits continued to increase satisfactorily, with increases in life profits and investment income well exceeding the small deterioration in non-life underwriting result. Non-life premiums showed no increase over last year due to a highly competitive market and no growth in the economy.

In Canada a small underwriting profit was made in the third quarter, continuing the marked improvement in results shown at six months. Rate increases and improved experience in the fire and motor classes were responsible for the improved result. Non-life premiums were maintained at the same level as last year.

The underwriting loss for remainder reflected continued adverse experience in most Western European territories. Overall non-life premium income growth was 8 per cent.

Looking ahead, Mr Cecil Harris, chief executive, says there is no doubt that the insurance industry is going through a major period of change, made all the more difficult by the economic environment in which it has to operate. The companies most able to face up to these conditions are those which can make the most efficient use of their capital, technical and personnel resources. The directors are confident that the actions they have been taking will place the group in a strong position in the market.

There are signs of improvement in certain areas, he says, but these are emerging only very slowly and there is a special need for insurers and re-insurers generally to refrain from accepting risks at rates which are unrealistically low.

Tax and minorities took £9.3m (£19m) leaving net profits of £15m (£47.1m). Earnings per 25p share are given as 3.63p (11.45p). Shareholders funds rose to £978m at the end of the nine-month period, compared with £773m a year before and £824m at the end of 1981.

See Lex

Arenson losses deepen to £1m

SECOND HALF taxable losses of £322,000, compared with profits of £40,000, brought the total losses of office furniture and equipment maker Arenson Group to £952,000 for the year to July 31 1982, against profits of £68,000. Turnover advanced from £13.98m to £16.18m.

With losses per 10p share given as 10.47p (0.8p) the final dividend is being passed, as was the interim. Last year a total of 1.225p net was paid, including a final of 0.705p.

The directors say the encouraging feature of the year was a 15 per cent increase in sales. This trend has continued in first quarter of current year, and the group's order book is now healthier than for some time although margins remain under severe pressure.

Problems in the U.S. subsidiary are now much diminished they say. It will be operational in its slimmed-down form by the end of 1982 ready to take full advantage of any upturn in the U.S. economy.

The result for the year under review was adversely affected by low margins, heavy finance charges and losses in the U.S.

Taxable profits were struck after financing charges of £864,000 (£531,000) and tax took £31,000 (£82,000) leaving net losses of £983,000 (£14,000). There were extraordinary debits of £298,000 (nil) including losses on secured indebtedness from a major UK distributor of the group's office furniture products.

• comment

Arenson has had a series of hard-luck stories to tell over the last two years. Firstly a fault on the filing cabinet production line cost the company £140,000. Then, a few months later, it lost one of its main retail customers, MFI, as the recession played havoc with the furniture industry. Finally, the St Albans-based company lost £300,000 when one of its distributors went into liquidation in August (the figure is included in the 1981-82 results). Nevertheless the company has succeeded in recovering its £4½m domestic furniture market by finding a wider range of eight major retailers. By contrast, the Genesis furniture range, which represents Arenson's belated entry into systems office furniture, sold slowly in its first year. The company may have spread itself too thinly in its attempt to boost its market share by entering the mail order business, with its first catalogue out next month, while simultaneously launching an up-market range of furniture for the first time. Borrowings in the course of 1981-82 increased by £1m to £1.24m. The aim is to reduce them by running down stocks this year at a faster rate than last, when £550,000 was lopped off stock levels. Treating the convertible preference shares as loan capital, the capital gearing ratio is about 45 per cent. The market capitalisation is £2.6m, after yesterday's 3p share price fall to 26p.

Scottish National Trust ahead

Net revenue at Scottish National Trust dipped slightly from £2.49m to £2.48m in the year to September 30 1982 despite a rise in the gross revenue figure from £5.02m to £5.31m.

The directors are recommending a final net dividend of 2.5p per 25p share, making 3.65p for the year, compared with last year's total of 3.425p, adjusted to take account of the one-for-one scrip issue.

Earnings per share are stated at 3.83p (3.84p adjusted) and net asset value per share is put at 154.9p (135.4p adjusted). Tax took £1.26m (£1.37m).

At year end the total volume of the group's investments was £106.2m (£91.3m).

COMET GROUP

With regard to Caledonian Holdings loan, the directors of Comet Group have circulated holders of 6½ per cent unsecured loan stock 1984-89 and 7½ per cent unsecured loan stock 1985-90, offering to purchase the holdings without incurring costs on following bases—88p for each £1 of 7½ per cent unsecured loan stock 1985-1990 and 85p for each £1 or 6½ per cent unsecured loan stock 1984-1989.

Brooke Bond sees improved conditions

Brooke Bond Group is more soundly based now than a year ago and better able to benefit from the eventual ending of the recession, Sir John Cuckney, the chairman, said in his annual statement.

"We are clearly enjoying a better trading environment in the current year with the improvement in the price of tea, our main commodity, the arresting at last of the 10-year decline in the volume of tea drunk in the UK, and a reduction in interest rates," he said.

"Our ability to benefit from these favourable factors is enhanced by the structural changes in the group, further elimination of loss-makers and heavy investment in marketing."

Sir John said he was not discouraged by this year's financial results. The decline in profits was caused by Mallinson-Denny's performance. The company was never expected to be immediately rewarding, especially in the continuing recession.

Mallinson-Denny was an important strategic long-term investment in a sector of the economy with growth potential, and this was what the group needed, Sir John said.

Improvement at Murray Clydesdale

Net revenue improved at Murray Clydesdale Investment Trust from £1.62m to £1.89m for the year to September 30 1982. The pre-tax result was up from £2.61m to £3.1m.

On earnings per 25p share given as moving ahead from 1.77p to 2.08p, and from 1.74p to 2.04p, assuming full conversion of the B ordinary shares, the net final dividend has been lifted from 1.2325p to 1.45p, raising the total from 1.7325p to 1.95p.

Net asset value per share is shown as rising from 86p . 100.9p.

Tax was higher at £1.21m (£996,000).

Young Companies edges higher

For the six months ended September 30 1982 net revenue of the Young Companies Investment Trust edged ahead from £207,000 to £219,000 after tax of £102,000, compared with £93,000.

The company has issued an additional 610,460 ordinary as a result of the exercise of warrants on June 30. The directors say this increase in share capital resulted in a marginal dilution of earnings per share in the first six months. However, they are hopeful that the dilution will be less apparent in the second half.

The net interim dividend is held at 2.2p—a final of 4.2p was paid previously.

A. Brown is 'now trading profitably'

The directors of A. Brown and Sons report that the company is now trading profitably on a month to month basis, although they stress that the profit at present is small.

The court's approval will shortly be sought for a capital reconstruction.

Yearlings rate lower

The interest rate for this week's issue of local authority bonds is 8⅞ per cent, down one eighth of a percentage point from last week and compares with 14½ per cent a year ago. The bands are issued at par and are redeemable on November 16 1983.

A full list of issues will be published in tomorrow's edition.

LADBROKE INDEX
622-627 (+9)

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
A.A. Corp ....int	50¶	Jan 14	46	—	166‖
Allied London Props ...	1.28	—	1.1	1.55	1.35
Allnatt ....int	1	—	1	—	5.2
Ambrose Inv ....int	3	Dec 13	2.8	—	7.3
Arenson	nil	—	0.71	nil	1.23
Cater Allen ....int	7§	—	4.29	—	23.8
De La Rue ....int	6.6	Jan 4	6.6	—	22.08
Electrocomponents int	1	Dec 31	0.85	—	2.2
Fleming Far East ...int	1.5	Dec 17	1.5	—	4.7
Futura Hldgs ....int	1.31	Jan 18	1.16	—	2.85
Hartwells ....int	1.4	Jan 31	1.19*	—	3.94*
Scott Robertson ......int	nil	—	nil	—	0.75
Scottish Nat. Trust	2.5	Dec 16	2.33*	3.65	3.43*
Smiths Industries	7	Jan 4	6.8	11	10.5
TR Property ....int	1.1	—	1.5	—	3.05
Whitbread ....int	1.65	Jan 7	1.5*	—	4.9*

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM Stock. § Partly to reduce disparity. ¶ South African cents throughout. ‖ For 15 months.

Companies and Markets

UK COMPANY NEWS BIDS AND DEALS

Allied London rises to £1.95m

Taxable profits of Allied London Properties advanced from £1.56m to £1.95m for the year ended June 30, 1982 from turnover ahead at £17.13m, compared with £15.45m previously.

The dividend is being increased by 0.25p to 1.55p net per 10p share by a final of 1.275p (1.1p) — earnings per share are shown to have risen from 7.34p to 8.66p before tax and to 7.87p (4.93p) after.

With regard to the future the directors say the company has ample financial resources and lines of credit and is always searching for opportunities for acquisitions and expansion.

Tax for the year took £168,000 (£501,000) — there were also extraordinary credits last year of £149,000. Net assets per share rose to 178p (175p).

As part of its rationalisation of the Gough Cooper group, Allied London has disposed of Hawley Plant and Edwards & Co (Longfield), builders' merchants, on the basis of net asset values. The resulting cash surplus has been utilised to eliminate Gough Cooper's bank borrowings.

The office developments progressed well during the year. The development of Elstree House of some 63,000 square feet of air conditioned space has been completed and 90 per cent of the building is let. Central House Hounslow, which will provide 85,000 square feet of air conditioned offices in a prime position adjacent to the Hounslow Central tube station, is now well under construction.

Over one million square feet of space has been built on, let and occupied by the industrial and warehousing estates constructed by the group's building division.

Sterling Homes, the housebuilding division, had a satisfactory year and is continuing to concentrate on quality developments in the Home Counties.

During the year, group's rental income increased by 35 per cent. Its investment property portfolio comprises 38 per cent offices, 55 per cent industrial and warehouses, and 7 per cent shops, situated in the South East of England.

Star Computer listing

Star Computer Group, which came to the USM in June 1981, is applying for a full listing by way of an introduction.

Three months ago the company acquired Hartley Computer UK, its largest competitor. As a result of the issue of shares to finance the deal, 25 per cent of Star's enlarged share capital is now in public hands, thus enabling it to proceed with an application to the Official List.

Mr David Blechner, joint managing director of Star, said yesterday: "We have served our apprenticeship on the USM, and following the Hartley acquisition, which has doubled our client base, we are now ready for a full listing."

Mr Blechner added: "Were it not for the USM we would never have gone near the Stock Exchange. The fee would have been too high and the two main shareholders would not have wished to divest themselves of the necessary number of shares."

Star will be only the fourth USM company to have transferred to a full listing.

Brokers to the introduction are Simon and Coates. It is expected that dealings will begin on November 15.

LAP/U.S. & GEN.

The scheme to unitise London and Provincial Trust and United States and General Trust was approved at their respective extraordinary meetings.

At the meetings of the preference shareholders the resolutions were not passed and therefore the LAP preference shares and the U.S. and General preference stock will be repaid.

For the purposes of the schemes the net asset values of LAP and US and General were 234.41157p and 399.93414p.

Staffordshire Potteries sees rise in demand

Although July and August were difficult months, as anticipated, there has been a small but encouraging improvement in UK demand since the beginning of September, Mr Bill Bowers, chairman of Staffordshire Potteries (Holdings), told the annual meeting.

"This factor, combined with the major cost reductions being achieved, has enabled our manufacturing divisions to reach performances within our objectives," he added.

The board expected action taken to reduce costs in North America to be effective during the third quarter of the current financial year. However, it was too early to predict the extent to which group results would be improved to the year ended June 30 1983, Mr Bowers said.

WETTERN BROTHERS

Marshalls Halifax has disposed of its holdings of 455,500 ordinary shares in Wettern Brothers. RMC Group has similarly notified of the acquisition, making its holding 455,525 ordinary shares, 27.11 per cent of the issued ordinary shares of Wettern.

AMC cancels SE listing

Amalgamated Metal Corporation has asked the Stock Exchange to cancel its listing from November 22. Trading in its shares has become highly imperfect and capable of being substantially affected by relatively small offerings or demands because the shares now mostly belong to two large holders, the corporation says.

Preussag AG owns 86.44 per cent of the ordinary share capital and Permodalan Nasional Berhad, the Malaysian state equity corporation, has 10.4 per cent.

Major new shareholder comes to light at Ciro

BY RAY MAUGHAN

A MAJOR new shareholder has emerged at Ciro, the jewellery retail group spun-off onto the Unlisted Securities Market by Howard & Wyndham last month, which stands to frustrate the recently launched offer by a Zurich group, Swarovski International.

Kitcat & Aitken, the London stockbroking firm, announced late yesterday afternoon that, acting on behalf of The Royal Bank of Canada in Guernsey, a regular client, it had purchased 265,000 shares in Ciro for Mr J. P. Marque.

The broker, having established that the order had exceeded the 5 per cent level at which beneficial ownership must be disclosed, asked specifically for the identity of the ultimate buyer to be made known and published.

The shares were acquired last Friday and the immediate effect of the transaction was to lift Ciro's price to 88p or substantially above the proposed bid price from Zurich.

Swarovski had acquired a 25 per cent holding at the beginning of October during the subscription to the USM offer for sale. The launch was only moderately received and applications for only 46 per cent of the shares on offer were taken. Howard & Wyndham, the publishing group, retained a 40 per cent holding and has since lifted its interest to slightly above 42 per cent.

Dealings started on October 11 and, on the following day, the Zurich group revealed the extent of its holdings through the subscription and also announced that it had picked up a further 4.9 per cent stake.

Zwarovski said at the time that it had no intention of making a full bid since its stake was held solely for investment purposes.

It is now understood, however, that Zwarovski sounded Howard & Wyndham during the following week concerning the sale of its Ciro stake to launch an agreed bid.

Mr Michael Heaton, the chairman of Ciro, recalled yesterday that he had been approached on the same subject on November 1. Two days later, the Zurich group announced a bid worth £2.49m, or 80p per share, for the entire share capital of Ciro. The shares are, for the moment, still held in letter of allotment form.

After a board meeting yesterday afternoon, the Ciro board formally announced that it would reject the proposed 80p per share bid.

Mr Marques acquired his 8.49 per cent stake last Friday in four tranches. He purchased 100,000 shares at 83p each, a further 125,000 at 83½p, 20,000 at 85p and, finally, a like amount at 85½p.

Mr Ralph Fields, the chairman of Howard & Wyndham and a director of Ciro, said yesterday that he had not "the slightest idea who Mr Marques is."

Mr Heaton stated that Mr Marques was an acquaintance of some 15 years' standing and had been a friend of the previous Ciro chairman, Mr Vladimir Khroeche. Mr Heaton said that he had not spoken to Mr Marques "for about a year" and was "surprised to hear about him."

Kirby & West offer for Lovell

An offer valued at £667,522 has been made by Kirby and West, wholesale and retail dairy concern, ice cream maker, and farmer, for G. F. Lovell, chocolate and sugar confectionery maker. The offer has been made on the basis of 66.4p for ordinary 25p share of Lovell and 80p for each £1 cumulative preference share.

Kirby and West is a private unlisted close company based in Leicester.

Fenton Hill International, which holds 75.1 per cent of Lovell's ordinary shares and 100 per cent of the cumulative preference shares, has irrevocably undertaken to accept the offer. Fenton's holdings amount to 709,905 of the ordinary shares and 50,000 of the preference shares.

Kirby will declare the offer unconditional on receipt of Fenton's acceptance.

Kirby's turnover for the year to April 3, 1982 was £10.4m with profit before tax of £888,000. Consolidated net tangible assets at April 3, amounted to approximately £3.16m.

Lovell's turnover for the year October 31, 1981 was £4.2m with trading profits before tax of £47,000.

The independent directors of Lovell, Mr J. A. Jones and Mr C. K. Shone, and their advisors Charterhouse Japhet, recommend that Lovell shareholders should "carefully consider" whether they wish to receive cash under the ordinary offer or keep their shares in Lovell thereby benefitting from greater management and financial resources.

Mr J. A. Jones does not intend to accept the offer for his beneficial holding of 10,500 shares (1.1 per cent).

Kirby owns 5,000 ordinary shares in Lovell and no preference shares.

Kirby intends to keep the listing for the ordinary shares of Lovell by arranging, through County Bank, for a placing of such shares as may be necessary to retain the listing.

TURRIFF CORP./TECHNICARE

The board of Turriff Corporation has conditionally agreed with Technicare and Mr A. de S. Dacre Lacy and Mr D. F. Parker to purchase the 24 per cent minority interest owned by the vendor company in Turriff's subsidiary, Technicare International, and to purchase all the issued capital of ADL Technicare, a wholly owned subsidiary of the vendor company.

On completion of the agreement, Mr Dacre Lacy will enter into a new service agreement with Turriff.

Mr Dacre Lacy and Mr Parker are both directors of Technicare International, as well as being directors of ADLT and the vendor company, of which they own all the share capital. As a result, the proposed purchase has been made conditional upon approval by Turriff stockholders.

International's net tangible assets as at December 31, 1981, amounted to £361,535, and pretax profit for the year amounted to £371,151.

Combined net tangible assets of ADLT and a small subsidiary also being purchased amounted to £75,488, and the combined pre-tax profit for the year ended December 31, 1981 amounted to £4,882.

The aggregate consideration for the purchase is expected to amount to £490,000 in cash, of which approximately £366,000 is payable on completion. The further consideration will be paid as soon as practicable after completion.

NIMSLO INTL.

On November 3 Nimslo Holdings disposed of 300,000 shares in Nimslo International to Sofinem following arrangements whereby Sofinem has the right to purchase from Nimslo Holdings a total of 3m shares during the period to January 1 1983.

LONDON TRADED OPTIONS

November 9 Total Contracts 2,100 Calls 1,396 Puts 704

Option	Ex'cise price	Jan. Closing offer	Vol.	April Closing offer	Vol.	July Closing offer	Vol.	Equity close
BP (c)	260	74	—	84	1	—	—	324p
BP (c)	330	20	56	40	2	48	—	"
BP (c)	360	7	3	13	4	28	—	"
BP (p)	330	24	10	32	—	36	—	"
CU (c)	120	14	121	17	29	—	—	129p
CU (c)	130	7	104	12	10	17	—	"
CU (c)	140	4	64	7	68	10	25	"
CU (p)	120	6	116	8	60	—	—	"
CU (p)	130	12	106	14	4	17	—	"
CU (p)	140	19	30	23	—	26	—	"
Cons. Gld (c)	420	32	8	45	—	67	—	409p
Cons. Gld (c)	460	17	—	32	—	33	—	"
Cons. Gld (c)	500	8	5	18	2	—	—	"
Cons. Gld (p)	360	5	10	—	—	—	—	"
Cons. Gld (p)	390	15	1	28	2	35	—	"
Ctlds (c)	70	15	27	18	—	20	—	80p
Ctlds (c)	80	6	142	9½	6	13	5	"
GEC (c)	217	30	1	36	—	—	—	233p
GEC (c)	237	19	18	25	—	34	—	"
GEC (c)	260	7	21	16	—	26	—	"
GEC (p)	217	1	18	3	—	—	—	"
Gr'd Met. (c)	280	27	2	32	—	39	—	295p
Gr'd Met. (c)	300	16	—	22	6	30	—	"
Gr'd Met. (c)	330	7	—	12	—	16	—	"
Gr'd Met. (p)	280	9	50	16	—	19	—	"
ICI (c)	280	56	—	66	15	—	—	324p
ICI (c)	300	36	15	50	3	56	2	"
ICI (c)	330	21	1	30	—	36	2	"
ICI (p)	300	9	25	18	35	24	2	"
ICI (p)	330	19	30	25	—	38	2	"
Land Sec. (c)	260	11	3	20	25	29	—	253p
Land Sec. (c)	280	6	10	13	4	20	1	"
Land Sec. (c)	300	3	—	6	15	24	—	"
Land Sec. (p)	260	17	15	20	—	24	—	"
Mks & Sp. (c)	180	34	—	36	1	39	—	219p
Mks & Sp. (c)	200	23	28	33	2	26	—	"
Mks & Sp. (c)	220	16	226	20	1	24	1	"
Mks & Sp. (p)	200	5	5	9	—	14	—	"
Mks & Sp. (p)	220	13	25	17	—	21	—	"
Shell (c)	420	42	25	44	—	52	—	426p
Shell (c)	460	12	43	24	—	32	—	"
Shell (p)	390	5	—	11	35	—	—	"
Shell (p)	420	16	5	24	5	30	—	"
Shell (p)	460	39	9	46	—	50	—	"
		November		February		May		
Barclays (c)	360	20	—	40	—	55	2	373p
Barclays (c)	385	9	4	—	—	37	—	"
Barclays (c)	390	6	6	25	—	—	—	"
Barclays (p)	350	5	—	7	5	—	—	"
Barclays (p)	360	4	12	11	—	22	—	"
Barclays (p)	385	17	2	25	5	—	—	"
Barclays (p)	390	20	14	30	—	40	—	"
Barclays (p)	417	47	5	—	—	—	—	"
Barclays (p)	420	50	—	55	7	75	—	"
Imperial (c)	100	20	17	24	—	27	—	119p
Imperial (c)	110	12	17	18	—	21	—	"
Imperial (c)	120	3	17	10	15	14	6	"
Imperial (c)	130	2	—	4½	6	7½	—	"
Imperial (p)	110	1	20	7	—	8	—	"
Imperial (p)	120	5	12	10	10	17	—	"
Imperial (p)	130	12	—	15	1	17	—	"
Lasmo (c)	360	3	3	34	—	54	—	349p
Lasmo (c)	390	3	1	22	5	36	—	"
Lasmo (c)	500	1	—	8	5	14	—	"
Lonrho (c)	80	10	—	14	—	17	4	89p
Lonrho (c)	90	2	11	7½	11	8	6	"
Lonrho (p)	90	4	—	7	—	11	—	"
Lonrho (c)	100	13	—	15	5	18	—	125p
P & O (c)	160	38	10	41	—	45	—	597p
Racal (c)	420	182	3	197	—	—	—	"
Racal (c)	460	102	—	117	—	140	3	"
Racal (c)	550	52	—	77	—	105	—	"
Racal (c)	600	15	3	47	5	67	—	"
Racal (p)	600	23	—	37	6	48	—	"
RTZ (c)	460	14	6	37	24	45	4	454p
RTZ (c)	500	2	—	20	21	26	—	"
RTZ (p)	420	6	2	20	20	35	—	"
Vaal Rfs. (p)	70	11	—	6	4	7½	—	576

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series		Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
GOLD C	$325	10	89	—	—	—	—	$409.75
GOLD C	$350	4	64	—	—	18	93	"
GOLD C	$375	9	41	—	—	—	—	"
GOLD C	$400	2	16	—	—	85	56	"
GOLD C	$425	63	5.50	16	29.10	15	42	"
GOLD C	$450	6	1.50	5	22	13	33	"
GOLD C	$475	—	—	78	13	3	24 A	"
GOLD C	$500	800	0.50	102	8	16	21	"
GOLD C	$550	—	—	11	5.50	—	—	"
GOLD P	$350	—	—	18	7	—	—	"
GOLD P	$375	—	—	20	11	—	—	"
GOLD P	$400	19	5	5	21	—	—	"
GOLD P	$425	30	20	19	36	7	40	"
12¾ NL 81 87.91								
C	F.115	13	7.60	6	7.60 B	5	7.80	F.122.80
C	F.117.50	205	5.20	—	—	—	—	"
C	F.120	—	—	304	3.50	300	4.20	"
P	F.117.50	—	—	7	0.60	—	—	"
P	F.120	—	—	30	1.30	—	—	"
P	F.122.50	—	—	20	2	—	—	"
10¾ NL 80 86.95								
C	F.105	—	—	16	4.20	—	—	F.109.10
C	F.110	—	—	40	1.50	—	—	"
11¼ NL 82 88.92								
C	F.102.50	302	8.30	—	—	20	8.20	F.110.90
C	F.107.50	115	3.20	506	3.80	6	4.20	"
C	F.110	—	—	26	2.30	5	3	"
P	F.110	—	—	50	1.50	—	—	"
10 NL 82 86.89								
C	F.102.50	60	2.30	1	2.50	—	—	F.104.90
10½ NL 82 86 89								
C	F.102.50	5	4.10	—	—	255	4.80	F.106.70
C	F.105	—	—	100	2.60	—	—	"
P	F.102.50	—	—	—	—	400	0.70	"
10 NL 82-11 86.89								
C	F.100	—	—	20	5.90	—	—	F.106.30
P	F.102.50	—	—	1000	0.30	—	—	"
		Jan.		April		July		
AKZO C	F.27.50	24	2.10	—	—	—	—	F.29
AKZO C	F.30	33	0.70	31	1.50	—	—	"
AKZO P	F.27.50	126	1.10	—	—	25	2.10	"
AKZO P	F.30	70	2.80	—	—	—	—	"
AMRO C	F.45	—	—	45	3.50	—	—	F.46
AMRO C	F.50	—	—	47	1.50	—	—	"
AMRO P	F.40	—	—	61	1.90	—	—	"
GIST C	F.100	62	2	—	—	—	—	F.94.70
GIST C	F.110	80	0.90	—	—	—	—	"
GIST P	F.90	34	3	—	—	—	—	"
GIST P	F.100	62	7.50	—	—	—	—	"
HEIN C	F.65	—	—	25	23.20 B	—	—	F.88.20
HEIN C	F.70	59	18.20 B	45	18.50 B	—	—	"
HEIN C	F.75	—	—	30	13.60 B	—	—	"
KLM C	F.100	123	4.30	—	—	—	—	F.94.50
KLM C	F.110	33	2	—	—	—	—	"
KLM P	F.80	25	1.20	34	2.50	—	—	"
KLM P	F.90	103	3.50	—	—	—	—	"
KLM P	F.100	51	8	—	—	—	—	"
NEDL C	F.130	24	3.60	—	—	—	—	F.125
NEDL P	F.120	36	2.10	—	—	—	—	"
PHIL C	F.22.50	26	6.30 B	—	—	—	—	F.28.80
PHIL C	F.25	62	3.90	62	4.20	—	—	"
PHIL C	F.27.50	30	1.80	116	2.40	29	2.90	"
PHIL C	F.30	155	0.90	105	1.50	86	1.80	"
PHIL P	F.25	39	0.30	—	—	—	—	"
PHIL P	F.27.50	5	0.70	83	1	70	1.80	"
PHIL P	F.30	43	2.40	—	—	—	—	"
RD C	F.100	154	3.10	10	4.80	37	5.20	F.96.80
RD P	F.90	60	1.40	17	2.50	—	—	"
UNIL C	F.200	73	11	70	12.50 B	—	—	F.205.60
UNIL C	F.220	24	3.80 B	—	—	—	—	"
UNIL P	F.180	31	3.30 B	21	6.20 A	—	—	"
UNIL P	F.190	40	7.50	70	11.50	—	—	"
UNIL P	F.200	47	11.60	7	16	—	—	"

TOTAL VOLUME IN CONTRACTS 8,509

A=Asked B=Bid C=Call P=Put

M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-621 1212

1981-82 High	Low	Company	Price	Change	Gross div.(p)	Yield %	P/E Actual	P/E Fully taxed
129	120	Ass. Brit. Ind. Ord.	129	—	6.4	5.0	11.7	14.5
140	100	Ass. Brit. Ind. CULS	139	—	10.0	7.2	—	—
78	60	Airsprung Group	61	—	6.1	10.2	6.8	11.8
51	33	Armitage & Rhodes	43	—	4.3	10.0	4.8	8.4
260	187	Bardon Hill	250	—	11.4	4.6	10.5	13.2
121	100	CCL 11pc Conv. Pref.	120	—	15.7	13.1	—	—
270	240	Cindico Group	260	—	17.6	6.8	10.5	11.8
104	60	Deborah Services	65	-1	6.0	9.2	4.3	11.6
148	97	Frank Horsell	147	—	7.9	5.4	6.2	6.6
83	38	Frederick Parker	67	-1	6.4	9.6	3.4	6.5
78	46	George Blair	51	—	4.1	—	8.0	16.7
102	83	Ind Precision Castings	83	-2	7.3	8.8	6.0	9.0
124	100	Isis Conv. Pref.	123	-2	15.7	12.8	—	—
123	94	Jackson Group	113xd	—	7.5	6.2	3.7	7.7
150	108	James Burrough	150	—	9.6	6.4	10.9	12.2
334	177	Robert Jenkins	177	—	20.0	11.3	1.9	2.1
83	51	Scruttons "A"	78	-1	5.7	7.3	10.1	12.2
222	139	Torday & Carlisle	139	-10	11.4	8.2	6.2	10.7
44	21	Unilock Holdings	22	—	0.46	2.1	—	—
73	73	Walter Alexander	71	—	6.4	9.0	—	—
263	212	W. S. Yeates	251	—	17.1	6.8	6.6	13.1

Prices now available on Prestel page 48146.

Recovery continues at Fidelity Radio

THE IMPROVING trend experienced by Fidelity Radio during the 1981-82 year continued through the first half of the current year when the group achieved profits of £218,000 at the pre-tax level.

This figure compares with a loss of £544,000 for the first six months of the previous year and profits of £299,000 in the second half. The group plunged £2.76m into the red for the 1980-81 year.

Turnover for the six months under review to September 30, 1982, rose sharply from £10.97m to £14.08m and at the trading level there was a surplus of £576,000, compared with a deficit of £317,000 previously — the group's principal activity is manufacturing televisions, stereo units, radios, record players and tape recorders.

Mr J. Dickman, the chairman, says there was an improvement in sales from all products, but mainly from colour televisions. It is anticipated that this trend will carry on in the second half.

However, he does not propose to consider recommendation of a dividend until the full year's results are available — a nominal 0.1p net was paid last time.

First-half earnings per 10p share emerged at 2.6p, which compares with a loss of 6.4p.

The directors are continuing their policy to broaden the scope of the group's activities by entering new fields. They have extended the base of audio manufacture into the "booming market" of television and are *diversifying* into the recently "liberalised market" of telecommunications.

First-half pre-tax profits were struck after allowing for higher interest charges of £358,000, compared with £227,000.

On a current cost accounting basis pre-tax profits for the first six months were £50,000.

● comment

The dramatic sales growth at Fidelity which reached 68 per cent in the second half of last year will not be repeated in the current 12 months. Even so, the company has turned in a respectable 28 per cent advance for the first six months and looks set to maintain its momentum over the rest of the year. More importantly the recovery from a £2.6m pre-tax loss two years ago is continuing with margins edging forward — though still well short of desirable levels — and the improving trend promises to be sustained. Borrowings are seasonably high pushing gearing above the 30 per cent seen at year-end but the traditionally faster stock turn in the second half should allow them to be pulled back. This together with significantly lower interest rates could contain finance costs, putting £900,000 pre-tax within range at full-time, even without any further gains on margins. Just how long the company can continue to expand its colour television business is questionable. But it does offer sets that are of its own design, even down to circuit board tooling; and the venture into France could prove timely with moves to restrict Japanese imports there. A similar venture into Germany is planned and it has plenty of meat on its telecommunications and audio products left. Yesterday shares jumped 9p to a two-year high of 79p.

Futura sees higher profit

Increased profits are forecast by Futura Holdings for the current year.

The directors say continued efforts to improve efficiency are reflected in reduced pre-tax losses of £17,651 compared with £87,275 for the 28 weeks to July 10 1982. Taking into account current *trading conditions they* consider the result to be "satisfactory."

Production levels are similar to 1981 and the order book for the remainder of the year is also being held at the same level as the previous year.

The net interim dividend is being raised from 1.155p to 1.3125p. In the last full year a total of 2.849p was paid from pre-tax profits of £225,447.

Until the *taxation* reliefs available for the full year are known the directors say that a corporation tax allowance at 52 per cent has been deducted from losses for the period. The tax adjustment credit has been reduced from £45,383 to £9,179 which leaves net losses of £8,472 compared with £41,892.

115 companies wound up

COMPULSORY winding-up orders *against 115 companies* have been made in the High Court. They are: Panasia, Motocrown, Vector, Neighbourhood Literary Company, and Khamsin Fashions.

Anyheights, Taskcare, Etasa (UK), Fen Pride, and Ernest Attwood (Roofing).

Worldhold, IPA Effluent Control, Gledlynn, and Industrial Temporaries (Swansea).

Mindug, Topaudit, Gulf Builders and *Maintenance* Contractors, Kenneth Elmes (Stationery), C. W. Raymond, *and Mantrax.*

Blundells Printers, St Austell Garages, Engine House, Lentax, and Maxpeed Display Printers.

Booth and Brookes, Dudley Foundry (Newcastle), Cashco Supermarkets Group, Clayco Systems, Yorkpoint, and Saunders Abbott.

Lynchem Engineering, Troupgate, Reglow, and Mason Martin.

A. and D. E. Jones, Newcombe Bolton, Paul Stuart, and AJH Business Service Agency.

Trade Supplies, Emptage Transport, Vinsom Investments, *P and P Imports, Eastview, and* Topaz Leisure.

Woodworkers (Great Baddow), Milwood Cabinets, Metalbase (Coventry), Viceroy Hotels (Eastern), The Organ Loft, and Lairbon.

Joan Barrie, Terry De Havilland, Fulmar Plant, Coin Laundries, Hollingcroft, and Model Magazines.

The Conquest Aircraft Company, Irwell Vale Developments, Roman (Newsagents), Thomas and Co (Burnham-on-Sea), Rotherville Construction, Arun Chemical Group, and Blaircliff.

Sevengate, Riverside Engineering (Derby), Servley, Nash Graphics, Cotepark, and Poultmead Motors.

Humphreys and Son (Greeting Card Wholesales), Joan *Collins Jean Company,* Terry Seeley and Co, South London Trailer Services, Brivels and *Bildara.*

Omni Components, John Benson Stone Company, Palladio, Chesterton Development Company, First Guarantee Trust Company, C. H. Bernard and Sons, and Charon Mercantile.

John Groves Equipment, Pulse AV Productions, Integrated Cleaning Systems, Russell Bradley and Co, Sion Ashton Associates, and Berzine.

Clapbury, DS Haulage, Grimopal, Marvan Motors, Morris Ventilation and Insulation, and Dawncrest Insurance Brokers.

Tudor Office Supplies, Homfray Carpets, Lynnrand, Rotocrop, Stanhill Spinning *Company,* and Dolphin Cable Company.

Casaform, RJ Plumbing and Heating Engineers, Restex, Magic Management, CJ Trading, Eastridge Construction, and L. Lander.

Implement Design, MSE, G. A. Ryder and Son (Builders), Bennett Rowlinson, Tamville Engineering, S. and R. Phillips (Edgware), and Alan Gregory.

Substantial profit for Cater Allen

A SIGNIFICANT fall in UK interest rates has provided exceptionally favourable trading conditions *for* Cater Allen Holdings, the bill broker and banker.

For the six months to October *31 1982, say the directors.* Substantial profits have been earned and the group's trading base has been *considerably enhanced.*

An increased net interim dividend of 7p is recommended *compared* with 4.2875. The directors point out that this increase is intended to help reduce *disparity*—in the last full year the final payout was 19.5125p.

Cater Allen Futures has made encouraging progress since the opening of LIFFE. The company is optimistic about prospects for the financial futures market in London.

Rationalisation of the group's premises has been completed with the disposal of the lease at 45 Cornhill.

On January 4 1983 an *office* will be opened in Jersey for the management of investment funds and development of *money* market business.

THOMAS TILLING

Thomas Tilling has purchased through its subsidiary Intermed the business of Tissue Culture Services, a manufacturer of biotechnological products, for *£535,000 cash.*

Midway advance at Electrocomponents

TAXABLE profits of Electrocomponents advanced from £7.04m to £8.26m in the six months to September 30, 1982. Sales pushed ahead from £35.98m to a *record* £45.26m, and sales for the current six months have also started well, the directors say.

The directors have recommended a net interim *dividend* of 1p against 0.85p last time. Earnings per 10p share of this company with interests in the manufacture of electronic components are stated at 3.93p (3.67p). Last year also saw a final of 1.35p from pre-tax profits of £15.74m.

The figures include trading for Mesa Technology Corp. of the U.S. from August 11 and a write-off of £63,700, representing a proportion of goodwill on acquisition. The remainder will be charged to profit over a five-year period.

Interest earnings contribute £765,000 (£673,000) and after tax of £4.32m (£3.35m), available profits emerge at £3.96m (£3.95m), including an extraordinary credit last time of £281,000.

Pre-tax profits on a current cost basis come through at £7.92m (£8.06m).

● comment

Electrocomponents' impressive first-half growth was not good enough for the market, which last month feasted on a 29 per cent increase in the pre-tax profits of the group's small competitor, *Farnell.* The share price fell yesterday from 215p to 205p. As market leaders, Electrocomponents is seeing its margins squeezed for the third successive year, and now it can no longer pinpoint its *18-month-old* two-tier price structure offering bulk discounts as the cause. A reluctance to *raise* prices in a depressed market, despite the growing overhead costs, is the *main reason. Nevertheless,* the move out of a collection of London and South-East locations into a single, highly automated centre in low-labour-cost Corby, at a price of £6m to £7m, net of government grants, should produce significant savings over the next two years. Second-half profits should be slightly higher, thanks to the addition of instruments and calculators to R.S. Components' product range and *the acquisition of the Motorola* franchise, even though interest earnings will be down. The newly acquired Mesa corporation is currently suffering from a slowdown in U.S. government agency orders. But the UK company remains optimistic and is looking for further U.S. acquisitions to reduce its dependence on the domestic market. Final pre-tax profits could reach £17.5m giving a prospective fully-taxed p/e of nearly 25.

Companies and Markets

UK COMPANY NEWS

Hartwells leaps to £1.7m as vehicle sales recover

A 63 PER CENT rise in taxable profits from £1.01m to £1.65m is reported by Hartwells Group for the half-year to August 31 1982. Sales of this Oxford-based vehicle distribution, sales and service, and heating services and bulk fuel oil distribution group moved ahead by 20 per cent to £90.87m compared with £75.66m.

The interim dividend is effectively raised from 1.19267p to 1.4p net per 25p share. Last year total equal to 3.936p was paid from pre-tax profits of £2.08m. Earnings per share for the six months are shown to be ahead at 4.5p (2.7p adjusted) after tax, and at 9.3p (5.7p adjusted) before.

Mr F. S. Huggins, chairman, says that while there are no signs of an upturn in the economy, the introduction of new models in the group's franchises, the abolition of hire purchase controls and fall in interest rates will encourage trading activity. The directors are therefore confident that, in the absence of industrial action disrupting supplies, the profit for the year will show an improvement over the previous 12 months.

In the six months under review renewed activity in the commercial vehicle market led to a recovery from the depressed level of the first half of 1981 with sales back to the levels that preceded the collapse. Improved results were achieved in all areas of the motor businesses.

The oil company experienced a fall in gallonage due to mild weather in March and April and the fairly dry summer, but increased trading activity is expected in the winter heating season.

Interest and stock finance charges for the whole group advanced from £332,000 to £453,000 and tax took more at £857,000 (£526,000) leaving net profits of £792,000 (£486,000).

Current cost adjustments reduced the taxable profits to £1.39m.

● comment

Hartwells Group's figures clearly owe much to a bumper August which generated about a third of first half profits, but it is the second half which will show the benefits of the abandonment of HP restrictions. The most striking facet of the first half is that the company has clawed back the considerable ground lost last year in commercial vehicle deals. Though Hartwells considers this part of its business is still not producing satisfactory returns, it should be noted that overall trading margins are up by over half a percentage point, and return on capital employed is getting back to the levels enjoyed in the late 1970's. Hartwells can also take credit for attaining a ten per cent increase in fuel oil gallons distributed, compared with the comparable period—the national average is only 2 per cent. It may well be that Hartwells will this year breach for the first time the £3m pre-tax profits level, though the shadow of parallel imports and the possibility that discounts to dealers will be reduced hang over this sector. After the results the shares, having reached an all-time high on Monday, gained a further 6p to close at 82p. Assuming a proportionate increase in the final dividend, the shares yield about 8 per cent.

BOARD MEETINGS

TODAY

Interims: Acsis Jewellery, Chubb, Cullen's Stores, Dualvest, Electra Investment Trust, Elswick-Hopper, External Investment Trust, Great Portland Estates, Hill Samuel, Saccombe Marshall and Campion, H. C. Slingsby, Transatlantic and General Investments, Usher-Walker, Thomas Warrington.

Finals: Bellway, Jessups, Scottish Cities Investment Trust.

FUTURE DATES

Interim:

Regional Properties .... Dec 20

Finals:

Equity Income Trust .... Nov 24

Killinghall (Rubber Develop ...... Nov 17

Northern American Trust .... Nov 19

Scott and Robertson reduces losses

Reduced pre-tax losses have been shown by Scott and Robertson for the six months to August 27 1982, falling from £186,000 to £124,000. Sales of this jute and textile concern slipped from £9.47m to £8.8m.

The trading loss of £52,000 against £159,000 shows an improvement on the comparable period, say the directors, but the economic recession continues to affect demand and margins.

Losses per 25p share are given as falling from 2.79p to 2.55p and there is again no interim dividend. In the last full year a final of 0.75p was paid after pre-tax losses of £108,516.

The group's jute spinning interests have been transferred into a new company, Tay Spinners. Scott and Robertson owns 50 per cent of the new company and a reduced level of investment will enable funds to be released.

Extraordinary credits arising from the creation of Tay Spinners have been applied to an extent that extinguishes extraordinary expenditure in the six months under review, say the directors. In the previous six months extraordinary debits totalled £250,000.

Pre-tax losses were struck after higher interest charges of £108,060 (£81,000) but included an interest relief grant at £36,000 (£54,000). There was a tax credit last time of £50,000.

On a current cost basis losses totalled £68,000 (£865,000).

MINING NEWS

Amcoal earns more but faces weaker markets

BY KENNETH MARSTON, MINING EDITOR

SOUTH AFRICA'S coal giant, Anglo American Coal Corporation, has again done well in the half year to September 30. But, as Mr Graham Boustred, the chairman, warned with the annual report the profits growth rate is significantly lower than that of the previous 15-month period.

Still, net attributable profits for the latest half year come out with a rise of 11.5 per cent at R60.4m (£31.6m) or 247 cents per share, compared with R54.2m in the same period of last year.

An interim of 50 cents is declared for the current year to March 31. For the previous 15-month period there was a first interim of 25 cents, a second of 48 cents and a final of 95 cents.

Of the good news, Amcoal has been given a provisional export allocation of 4m tonnes a year of bituminous coal for 30 years under the phase IVA export programme through Richards Bay. This raises the group's overall export allocation to 15m tonnes annually.

On the other side of the coin, Amcoal points out that since the publication of its annual report in June both the domestic and international coal markets have weakened further. In September domestic South African sales by Amcoal and others were 21 per cent down on those of a year ago and lower sales are expected to persist into next year.

Coal demand from Western Europe and the Pacific Basin, the main importing areas served by Amcoal and other South African suppliers "has declined considerably" owing to depressed economic conditions. Amcoal adds that 1983 sales prices are being concluded at lower levels than for 1982.

The Vereeniging Refractories subsidiary has suffered a 50 per cent fall in half-year profits and the demand for its products is expected to remain depressed.

However, Amcoal expects to maintain the current level of its earnings in the second half of the year provided that there is not material change in the South African-U.S. exchange rate and that revised sales forecasts are achieved.

Amcoal remains an outstanding coal investment for the long term and this has been recognised in the modest dividend yield, currently equivalent to just under 6 per cent with the shares at £11¾. Now that the shine has faded from near-term prospects, however, the share price seems high enough for the time being.

Oakbridge also does well but fears for Australian costs

OPERATING profits of Australia's Oakbridge mining and industrial group were boosted by higher coal sales in the year to June 30 and amount to A$17m (£9.6m) compared with A$12m in the previous 12 months.

A sharply higher tax provision, reflecting the reduced availability of past losses as an offset and a lower investment allowance, leaves the net operating profit at A$10.1m, or 11.6 cents per share, compared with A$9.3m in 1980-81.

A final dividend of 3.5 cents makes a total of 7 cents for the year against 6.5 cents.

Mr Grahame Mapp, the chairman, expects "some further profit growth" in the current year in line with a 25 per cent increase in coal sales. The tin division, however, will record a lower result, mainly because of the sales curbs imposed under the International Tin Agreement.

While Mr Mapp remains confident of the long term export market for coal, which is still far cheaper than oil, he is concerned at the erosion of the competitive position of the Australian coal producers as a result of strikes and increases in wages and government charges over the past 18 months.

"As a result, our traditional Pacific Basin markets are under threat from South African producers who enjoy substantial government incentives in the form of low rates for port and rail facilities, nil royalties and deduction for taxation purposes of all capital expenditure in one year against any income.

"No doubt these policies have contributed significantly to South Africa's success in achieving a higher growth rate in coal exports over the past 10 years than any other exporting country, despite distinct disadvantages relating to coal qualities and political considerations."

This point is emphasised by recent estimates of the export prices of South African and Australian coal. On a cif basis coal to the value of 1m Btu exported from South Africa to Japan has been estimated to cost the buyer about $1.30 compared with $2.20 for the equivalent export from Australia.

The competitive position of Australian coal compared with imported oil in the domestic market is also being reduced, according to Australia's Metals Exploration, a major consumer of both coal and oil.

It is pointed out in the annual report for the year to June 30 that fuel oil prices opened the year at $35.50 per barrel and closed it at $29.08. Australian domestic coal prices, on the other hand, continued to escalate at a rate higher than that of inflation.

APPOINTMENTS

Lloyds and Scottish reorganise

LLOYDS AND SCOTTISH is reorganising its wholly-owned UK instalment credit and leasing activities under the name of Lloyds Bowmaker. The new group will incorporate Lloyds and Scottish Finance, Bowmaker, Hamilton Leasing, Medens, and RIGP. Scottish Discount and Cedar will also be part of the group but will continue to trade under their present names. There will be three specialist divisions and an integrated branch network. The divisions will be retail finance in Edinburgh, corporate finance in Bournemouth and personal finance in London.

The following appointments have been made: Mr J. N. Little, group director, operations; Mr S. Maran, group director, finance; Mr J. B. Davies, director, corporate finance division; Mr A. G. Glass, director, personal finance division; Mr J. G. Bycroft, director, retail finance division; Mr D. S. Fielden, director, branch operations; Mr C. J. Harrison, director, group marketing; Mr T. R. Wightman, director, information and planning; Mr G. F. Bacon, director, related activities; Mr R. E. Macauley, director, personnel; Mr P. F. Hook, director, support services; and Mr C. Cruickshank, director, special studies.

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Mr D. A. Thornby has been appointed a director of CELCON.

*

Mr John Bennett has been appointed sales director of CADULAC CHEMICALS.

*

Mr J. A. Bertenshaw has been appointed company secretary of PHILIPS ELECTRONIC AND ASSOCIATED INDUSTRIES.

*

Mr B. J. Hill, managing director of HIGGS AND HILL, has been appointed to the committee of THE LAZARD PROPERTY UNIT TRUST.

*

Mr David R. Pinsent has been appointed a director of THE CRONITE GROUP.

*

EPHRAIM PHILLIPS has made the following appointments: Mr J. Keevil has become managing director, having previously been deputy managing director. He is also managing director of BTS, a subsidiary company. Mr A. Blackman has been appointed company secretary.

*

At WARMSHIELD ALUMINIUM Dr Doug Andrew has been appointed managing director. Former works director Mr Cedric Bann has become technical director and Mr Paul Bann, works engineer, joins the board as works and engineering director.

*

In anticipation of the retirement of Mr F. R. "Dicky" Bird, Mr Andrew Stubberfield has been appointed company secretary of CARLESS, CAPEL & LEONARD. Mr Stubberfield was a senior manager with Arthur Andersen & Co.

*

Mr E. J. Harris, executive director, Westinghouse Brake and Signal Co (a member of the Hawker Siddeley Group) has been elected chairman of the RAILWAY INDUSTRY ASSOCIATION in succession to Mr J. Moore, commercial director, Ruston Diesels.

Energy Review

Optimism ascendant in U.S. coal industry

By Sue Cameron

BRITAIN'S National Coal Board produced 124.3m tonnes of coal last year with 218,500 miners—while the U.S. produced 814.7m tonnes with some 225,000 people.

Admittedly some 60 per cent of U.S. coal comes from surface mines which are far easier to work and employ only one third of the American industry's total labour force. In the UK, on the other hand, over 87 per cent of the coal comes from deep mines. But this still means that the U.S. is producing over two and a half times as much deep mined coal as Britain with roughly three-quarters of the men.

The contrast between the two countries' coal industries is stark enough where the basic numbers are concerned. But an equally marked difference between them is that while the outlook for the nationalised UK coal sector appears bleak—its losses were running at £1.5m for every working day of last year—the underlying mood in the U.S. is one of optimism.

Yet U.S. coal companies, despite their high productivity when compared with the UK's *National Coal Board*, face a number of substantial problems. Among their biggest headaches are:

● The fall in demand caused by recession. Between 1973 and 1979 total demand for U.S. coal grew at around 3 per cent a year. Following the 1979 oil crisis the annual increase in demand rose to 5 per cent. But since the summer of this year the recession has begun to bite and all four of the major markets for coal—power stations, steel production, the industrial sector and export markets—have been affected.

U.S. coal consumption, together with exports, is expected to total 823m tons this year—13m tons less than in 1981. But U.S. coal output is forecast to be 837m tons. Production has dropped sharply since the middle of the year. In the first half of 1982 it was running at between 17m and 18m tons a week—equivalent to an annual rate of 900m tons. Now output is estimated to be between 15m and 16m tons a week.

Demand for electricity in the U.S. has dropped slightly this year and power stations, which account for over 80 per cent of domestic coal consumption, are expected to take 600m tons in 1982—virtually the same as the 596m tons of last year. Stocks of coal at power stations are expected to rise.

Consumption of metallurgical coal by America's troubled steel industry is expected to be only 47m tons this year—14m less than last year. Meanwhile U.S. industry is likely to use only 72m tons of coal — 4m tons less than in 1981—and the country's total coal exports will probably reach no more than 104m tons, a 6m ton drop from last year's 110m figure.

● Freight charges. Two-thirds of U.S. coal destined for the domestic market and almost all coal exports are moved by rail. There is no alternative method of transport for about 85 per cent of the coal that now goes by rail. And the coal companies claim they are being overcharged by the railway companies because they are captive customers.

They claim that rail freight charges have risen by 50 per cent since 1979 and they say the high cost of rail transport is causing them to lose their edge in export markets. The price of export coal at the mine mouth, it is argued, has fallen by 5 to 6 per cent in the last two years—in real terms the fall is greater—but customers have seen price rises because of high rail costs.

What the companies fear is that they will lose some of the potential, longer term growth in the coal export markets. And they are fighting to have rail charges brought more closely into line with the railway companies' costs.

● Acid rain. The American environmentalist lobby is campaigning for much stricter limits on sulphur dioxide emissions from power stations using high sulphur coal. They claim that the sulphur dioxide, which falls as acid rain, is a major cause of pollution.

But the coal companies fear that the cost of adapting existing coal-burning power stations to meet more stringent limits would be astronomical and would cause untold damage to what is their biggest market. One estimate puts the cost of modifying power stations at $300bn over 30 years.

Coal producers claim that the money could all be spent in vain. They insist that there is no firm evidence to link acid rain with sulphur dioxide emissions from coal burning. Since 1970, they say, coal consumption by U.S. electric utilities has risen by 78 per cent while sulphur dioxide emissions from power stations have fallen by 13 per cent.

One alternative would be to use low sulphur coal in power stations. But such a move would hit many of the traditional coal producing regions of America which are in the East and which are already suffering from heavy unemployment because of the recession.

Yet despite the difficulties looming over them, the biggest companies among America's 3,000 coal producers are apparently confident about their prospects in the medium and longer term. The basis of their optimism, certainly where the all important power station market is concerned, is the relative cheapness of coal compared to alternative fuels. The delivered price of coal to the electric utilities is now around $1.50 to $1.60 per million British Thermal Units. But oil is roughly $4.50 per m BTUs and gas around $2.50.

'No absolute fall in demand'

Consolidation Coal, which ranks second after Peabody Coal and just ahead of Amax Coal in the league table of the biggest U.S. producers, admits that "the downturn has come in almost all market sectors." But it adds firmly: "Coal has established itself as the cheaper fuel and therefore it has a solid base under it. The argument is not whether there is going to be any growth but how much growth there is going to be."

Consol, which is now part of the Du Pont group following last year's takeover, has about a 5 per cent share in U.S. coal production. In 1981 it had sales of 39m tons and this year it expects to have sales of 44m tons. It is aiming to improve this next year. "The growth in the electric utility fuel sector is nearly all going to go to coal," says Consol. "Coal is cheaper than oil or gas and there is environmental concern over nuclear power. If we assume a 2.4 per cent annual increase in electricity demand, coal sales to power stations will go from around 600m tons now to about 800m tons in 1990."

"Admittedly there is now a danger that electricity use could go down and that some new coal-fired power station projects could be cancelled. But even if that happened, what we would lose is part of our expected growth. There would be no absolute fall in demand."

Consol is equally sanguine about growth prospects in the export and general industrial markets. It is building a $100m dock at Baltimore—due to be finished next year—to improve the efficiency of its coal export business. And it carried out a survey on U.S. industrial coal conversion projects last year which suggested that demand in this sector will go from the present 74m tons a year to well over 90m tons a year by the end of this decade.

"There could be difficulties because of overcapacity and everyone chasing the new growth," concedes Consol. "We have shut down about 7 per cent of our capacity but some of this should be brought on again eventually. We are in a strong position in the East because our mines are more efficient and our costs lower than those of some of our competitors. We also reckon that our productivity is about 30 per cent higher than the average in the U.S. We have a high proportion of long-term contracts and we've picked up between 1m and 2m tons of new business for next year."

Consol is worried about high rail freight charges, saying it does not want to "be a hostage to the railways on exports when things start to improve." But it believes this is a problem for the future rather than the present.

And while it admits that it would be "vulnerable" to tighter legislation on acid rain because a sizeable proportion of its production is high sulphur coal, it clearly believes that concern about stricter regulations has been exaggerated. If and when new laws were passed, it says, they would be much more moderate than some of the pessimists in the industry had suggested.

The bigger U.S. coal companies are 'strong'

But pessimists seem to be few and far between in the U.S. coal industry. The U.S. National Coal Association, which describes itself as "the industry's voice in Washington," is forecasting a 55 per cent increase in domestic coal consumption and a 50 per cent rise in exports between 1980 and 1993—and that is on the grimmest of its three possible projections.

Its "most likely" projections for future coal demand foresee domestic consumption rising 85 per cent above 1980 levels by 1995 while it predicts a near doubling in exports.

In the shorter term, the association's economics committee "sees the U.S. economy picking up steam in 1983." It says that "stronger markets and continuing increases in mine productivity augur for a rebound in the coal industry in the coming year." Mr Carl Bagge, president of the NCA, admits that "several hundred of the smaller, marginal producers have gone under." But he adds that the bigger U.S. coal companies are "strong."

"There is rationalisation taking place within the industry because the smaller companies can't always cope with the higher costs of, for example, new legislation," he says. "I think there is a tendency to have fewer small companies and greater dependence on the marginal production of the larger concerns."

He believes the industry in general can "look forward to stable prices and to being more competitive because of higher productivity." The white-haired Mr Bagge is decidedly bullish about his members' prospects for defeating the environmental lobby on acid rain and for bringing the rail companies to heel.

"We've got a good political machine here," he says. "Politicians can do all sorts of crazy things but I think we have a credible story to tell.

"Ultimately," he adds, "I think we'll try to have Congress impose market forces on the railroads."

The NCA's optimism is echoed — albeit in a much more restrained way—by some independent observers. Mr Bob Long, an analyst with First Boston, says the adverse impact of the recession on today's coal sales "won't even begin to erode what has been built up over the past few years."

Mr Long reckons there could be further limitations on sulphur dioxide emissions but he points out that the U.S. has "vast" opencast low sulphur coal reserves. And he appears to have only limited sympathy for the industry's complaints about rail freight charges. He reckons the U.S. railways are "probably in better shape now than they have been for 30 years" because of the improvements that have been made. Yet only now, he adds, are the rail companies going from "subprofitability to average profitability."

SECOND THOUGHTS ABOUT WORLDWIDE STRATEGIES

A NUMBER of major companies in the coal sector—both inside and outside the U.S.—are developing worldwide strategies for their coal production businesses.

Their aim is to gain better access to important but distant markets, to take full advantage of opportunities for developing economic coal reserves abroad and to ensure diversity of supply for themselves and their customers.

The trend towards coal investment abroad was boosted by the two world oil crises of the 1970s. But in the current economic climate, some companies are beginning to wonder how long they will have to wait before they start seeing reasonable returns on the money they have put into foreign coal.

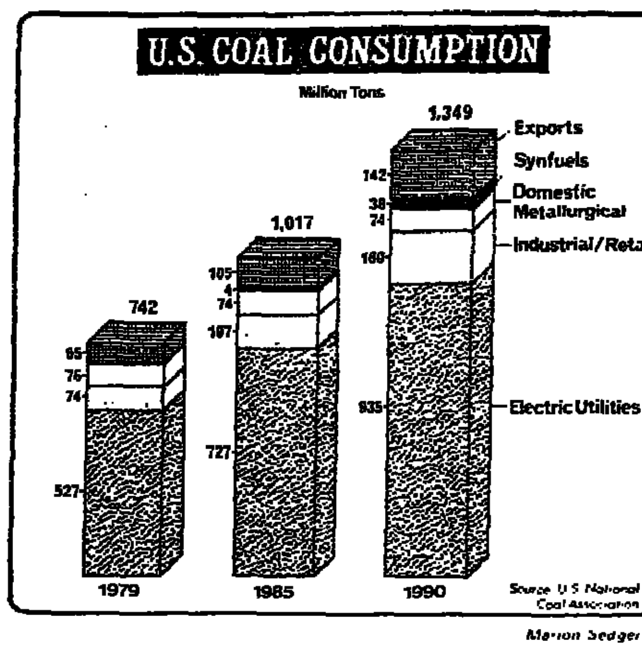
Exxon, which ranks among the top 10 coal companies in the U.S., has invested in Australian coal and in a massive new $3bn project in Colombia. But in Australia, where the group spent almost $22m buying a stake in the Hall Creek coal prospect in Queensland, it now admits that "with hindsight, we probably bought into a project that was before its time."

Hall Creek, which has proven reserves of 150m tons, has both a steam coal and a coking coal seam. Exxon was originally attracted to the Hall Creek prospect by the opportunity for obtaining high margins on coking coal. But the recession and, in particular, the slump in the steel industry, means the group is "still waiting for the market." So far the money needed to develop Hall Creek — Exxon will not give a figure but it is thought to be at least $600m — has not been put up.

None of Exxon's other coal prospects in Australia is yet in production — for much the same reasons. But the group insists that it will stay in Australian coal. Meanwhile, its Cerrejon project in Colombia, which could become the biggest coal mine in the world according to Exxon, is still four years from completion. Cerrejon has estimated reserves of 1.6bn tons and is expected to produce 15m tons a year. Most of the coal from Cerrejon, which is being developed on a 50/50 basis with the Colombian Government, will be exported to Europe — probably 70 per cent to 80 per cent — while the rest will go to the U.S. and the Caribbean.

Exxon is hoping that the present weak market "will be just a hiccup" as far as the Cerrejon project is concerned. It points out that 70 per cent of internationally traded steam coal, which is what will be chiefly produced at Cerrejon, at least initially, goes to power stations. And the group expects growth in electricity demand to "outperform the economy in general." It forecasts that throughout the 1980s, the international steam coal trade will grow at some 12 per cent a year.

One reason for coal companies diversifying geographically can be seen in the relative production costs in the U.S., Australia, Colombia and South Africa. U.S. costs are highest. And costs in Colombia will be greater than in Australia or South Africa. But the major international companies are often wary of investing in South Africa because of the possibility of political instability. And Australia has the disadvantage of frequent strikes in the coal industry plus what the producers see as high taxes.



COMMODITIES AND AGRICULTURE

Japan hits at U.S. whale 'emotion'

● JAPAN'S Prime Minister Zenko Suzuki has condemned the U.S. concern at Japanese objection to a commercial whaling ban as "emotional." He said the U.S. Government might have come under pressure from local conservationists and that its expressions of concern had "no scientific basis."

Mr William Schneider, U.S. Under Secretary of State for security, science and technology, said the Japanese objections to a ban on whaling might harm relations between the two nations.

Japan, the Soviet Union, Norway and Peru have all protested against the plan of the International Whaling Commission to stop commercial whaling throughout the world from 1986.

● INTERNATIONAL COCOA Organisation said it estimates world cocoa surplus for 1981-82 at 82,000 tonnes compared with an earlier ICCO estimate of 64,000 tonnes in July.

● GHANA, which closed its borders in September to combat cocoa smuggling and currency trafficking, is to set up public tribunals to try smugglers in towns on Ghana's borders with Togo, Upper Volta and Ivory Coast.

● CANADIAN longshoremen in British Columbia have reached a tentative 3-year contract settlement with the BC Maritime Employers' Association.

● INDIAN coffee producers and traders have urged their government to reduce the export duty on coffee, raised last week from Rupees 300 to 440 per 100 kilos, as they claim the increase will hit exports.

● HUDSON BAY subsidiary, Tantalum Mining of Canada is to shut its mining and concentrating operations at Bernic Lake, Manitoba at the end of next month because of poor demand.

Survival plan proposed for abattoir industry

BY RICHARD MOONEY

A "BLUEPRINT for survival" for Britain's ailing abattoir industry was offered by the Meat and Livestock Commission in London yesterday.

In a report* the Commission stated that excess slaughtering capacity was the dominant factor in the industry's difficulties. It estimated that capacity was between 50 and 100 per cent more than needed. As a result slaughterers' margins had been cut to as little as 0.5 per cent in many cases.

The sector had only three options open to it, the report said. It could allow market forces to work themselves out to reduce excess capacity—but this would be "too slow." It could be restructured on some sort of national plan—but this would be "repugnant" to the Commission, the industry and probably the present Government.

The third option, which the MLC proposed should be taken up, was to establish a quantitative licence system operated by a central authority (possibly the MLC itself).

All licensed abattoirs would be allocated a slaughtering quota based on their recent performances. Businesses wishing to increase their throughput by increasing capacity (or presumably by making fuller use of existing capacity) would have to buy quotas from other businesses, which would have to cease slaughtering immediately.

Sales and purchases of quotas would be registered and prices published so that a market value could be established. But names of buyers could be kept confidential.

The central authority could also offer to buy available quotas itself at a stated price calculated to be attractive to plants running at well under their capacity and therefore inefficiently.

The MLC said money to operate this system could be provided by the slaughtering industry itself through a head-age levy.

"Such a scheme would enable loss-making plants to drop out," said MLC chairman Mr David Samworth yesterday. "This would increase the chances of prosperity for those remaining."

He rejected the suggestion that some of the industry was being asked "to pay for their own funerals."

The scheme could be set up without the passing of any new legislation as the Agriculture Act of 1967 allows MLC to develop schemes for the better organisation, development or regulation of the livestock industry or the livestock products industry and for the costs of any such schemes to be provided by the industry itself. It would, however, require Ministerial and Parliamentary approval.

Mr Peter Walker, the Agriculture Minister, is understood to be basically in favour of the plan provided it does not require any Government funding and can be shown to have the full support of the industry.

*A Review of the Abattoir Sector.

First sale of gold futures seat

By John Edwards, Commodities Editor

ROUSE WOODSTOCK, part of the Mercantile House group, confirmed yesterday that it had bought a seat on the London gold futures market from Entores, a ring-dealing member of the London Metal Exchange which is a subsidiary of the French-based Imetal group.

This is the first sale of a "floor" membership of the gold futures market, since the Board decided last month to lift the moratorium originally imposed when the market started in April forbidding the sale of seats for three years.

M René Marbot, chairman of Entores, explained yesterday that their clients were mainly physical trade companies with limited gold business, so it was felt more advisable merely to retain non-floor membership of the futures market.

He refused to disclose the price paid for the seat, but commented that his company did not normally like trading at a loss. This suggests the seat was probably sold at a slight premium to the £55,000 originally paid for "floor" membership last year.

Rouse Woodstock, which was already a non-floor member of the market and therefore had little difficulty in obtaining the required approval to buy a seat, has considerable gold business in London and New York.

Comex confirmed yesterday it was in the early stages of negotiating the sale of its gold futures seat too. A company commented that no one would be interested in selling at a loss. Another undisclosed company is also believed to be selling its seat.

Hope for copper upturn

PARIS — Some improvement in the copper market is likely during the fourth quarter of this year but low prices mean most producers are not covering costs, the Inter-Governmental Council of Copper Exporting Countries (CIPEC) said.

In its quarterly review, CIPEC said bullish factors expected to support prices in the fourth quarter include lower interest rates, increased industrial activity after the holiday period, the effect of production cutbacks on stocks and the ...

Our Commodities Staff writes: Copper prices eased on the London Metal Exchange yesterday in quiet trading conditions. High-grade cash copper closed £6 lower at £866 a tonne. U.S. producer Asarco cut its domestic selling price for copper by 2 cents to 70 cents a pound and its zinc price by 2 cents to 38 cents a pound.

A sudden burst of buying interest, mainly from speculators following charts, pushed aluminium sharply higher, with the cash price gaining £14.5 to £547.5 a tonne.

Poland urged to buy more grain

THE agricultural policy committee of Poland's peasant party has warned that meat production could fall by as much as 400,000 tonnes next year if additional purchases of grain are not made abroad in the near future.

The committee points out that meat supplies will begin to drop in the second quarter of next year and the decline could continue until March 1984 as a result of low grain imports, a low potato and straw yield this year.

BANANAS

Helping producers to help themselves

BY BRIJ KHINDARIA IN GENEVA

THE UNITED Nations plans to spend about $36m in Third World banana-producing countries to help them improve plant varieties, cut costs and wrest greater control over marketing from the major multinational companies.

About 63 per cent of world trade in bananas is controlled by three big companies—United Brands, Standard Fruit and Del Monte—which producing countries think works to their disadvantage by allowing the companies to increase profits while forcing producers to accept lower real prices.

At a seminar of banana exporting countries in Geneva last week, delegates approved a list of projects for research and development in various producing countries, particularly in the tropical American region, designed partly to make the producing nations more independent of the big companies.

One important project aims at expanding research on banana germ plasma to improve banana varieties. Estimated to cost $6bn, the project which involves plant genetics could put producing countries at an advantage over the companies by producing more disease-resistant types of fruit.

The exporting countries, which include such poor nations as Costa Rica, Panama, Honduras, Jamaica, Ecuador, Surinam and Cameroon, have been severely hit by falling real prices for bananas. Between 1950-81 real prices expressed in dollars adjusted for inflation fell by 38 per cent in the French overseas territories, 10 per cent in South America and 2.3 per cent in Central America.

Bananas provided Ecuador, the largest producer exporting about 1.2m tonnes, with one-quarter of its total export earnings last year, while the proportions for Panama and Costa Rica, the second and third largest exporters, were 21 per cent and 20 per cent respectively.

This considerable dependence on banana exports, combined with falling real prices, has dramatised the need for measures to improve earnings. However, separate negotiations sponsored by the United Nations Conference on Trade and Development (UNCTAD) for an international market stabilisation agreement have failed to make progress, focussing attention on cost-cutting and export promotion measures.

The multinational companies have already invested heavily to introduce high technology in production, harvesting and conservation. This has brought such important innovations as banana varieties that resist the Panama disease which was common in tropical America for a long time. They have also developed innovative cultivation and irrigation methods, pesticides, cableways for transportation and new forms of packaging.

But many of these innovations have little relevance to the nationalised companies trying to compete with the multinationals because they concern very large production runs and use expensive fertilisers and chemicals. Diseases such as Black Sigatoka continue to harm crops in tropical America while new types of fungus have brought Panama disease to the Philippines.

The United Nations-financed projects will aim at helping producing nations to use locally available resources better to cut production costs while reducing imports of chemicals and pesticides. In contrast to the attitude of multinational companies, the emphasis will be on technologies and methods that preserve jobs.

But the problems of collecting market information, keeping up with new technological developments and making new markets remain and cannot be successfully tackled without help from the multinationals. Surprisingly, none of the projects approved so far emphasise such co-operation as a means of improving revenues.

None of the producers have direct access, without using traditional channels controlled by companies, to the most important consuming markets—the United States with 2.28m tonnes yearly, Japan with 708,000 tonnes and West Germany with 523,000 tonnes. Nor do they have significant control over transport and distribution channels.

Experts from 40 countries who met in Geneva after the seminar last week discussed the feasibility of joint purchases by banana exporting countries of expensive chemicals and fertiliser needed to increase banana yields, but no plan was prepared.

Further studies are planned on shipping methods, including changes in containerisation and refrigeration to reduce transport costs.

PRICE CHANGES

In tonnes unless stated otherwise

	Nov. 9 1982	+ or −	Month ago
Metals			
Aluminium	$810/815		£810/815
Free Mkt	$965/995	+10	$940/970
Copper			
Cash h grade	£866	−5	£853
3 mths	£874.75	−7	£865.75
Cash Cathode	£819	−6	£803.5
3 mths	£838.5	−7.5	£824.5
Gold troy oz	$410.5	+4	$436.5
Lead Cash	£287	−0.75	£284.75
3 mths	£296.75	−0.5	£294.75
Nickel	£2133.5		£4133.5
Free mkt	157/187c	−3	160/180c
Platin'm troy oz	£260		£260
Free mkt	£201.50	−3.25	£202.80
Quicksilver	$360/365		$355/375
Silver troy oz	612.45p	−4.45	549.00p
3 mths	624.85p	−4.45	561.50p
Tin Cash	£7427.5	+5	£7327.5
3 mths	£7427.5	+5	£7232
Tungsten	$101.18		$106.24
Wolfrm 22.04 lb	$98-96		$96/100
Zinc Cash	£436.5	+.6	£421.25
3 mths	£443.25	+1	£450.375
Producers	$800/850		$800/850

	Nov. 9 1982	+ or −	Month ago
Oils			
Coconut (Phil)	$480y	−2.5	$410
Groundnut			$485
Linseed Crude	£320		£320
Palm Malayan	$367.5x	+0.5	$355
Seeds			
Copra Philip	$277.5y	−3.5	$275
Soyabean (U.S.)	$235y		$216.5
Grains			
Barley Fut. Jan	£111.60	−0.10	£111.90
Maize	£136.00		£131.00
Wheat Fut. Jan	£116.95	−0.15	£113.60
No.2Hard Wint			
Other commodities			
Cocoa ship't	£1207		£1008
Future Mar	£981.5	+5	£1034.5
Coffee Ft Jan	£1,503.5	+33	£1402.5
Cotton A Index	69.50c	−0.2	70.30c
Gas Oil Dec	£304.25	+0.5	£318.75
Rubber (kilo)	47.25p	−0.5	48.5p
Sugar (Raw)	£101y		£95
Wool tps 64s kl	384p kilo	+2	389pkilo

§ Unquoted. x Dec. y Nov-Dec. † Per 16-lb flask. * Ghana cocoa. n Nominal.

LONDON OIL SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)		
Arabian Light	32.70-32.75	—
Iranian Light	30.50	—
Arabian Heavy	30.20	−0.10
North Sea (Forties)	34.00-34.10	—
African (Bonny Li'ht)	34.80-35.00	—
PRODUCTS—North West Europe CIF ($ per tonne)		
Premium gasoline	328-331	−3.5
Gas oil	295-304	—
Heavy fuel oil	164-170	−1.0

GAS OIL FUTURES

Prices started easier and fell further in thin conditions before attracting any buying interest. The market later steadied as the dollar weakened, reports Premier Man.

Month	Yest'day's close	+ or −	Business Done
	$ U.S. per tonne		
Nov	303.00	+0.25	301.50-01.00
Dec.	304.25	+0.50	305.00-02.00
Jan	305.00	+1.50	305.00-02.25
Feb.	303.00	+1.00	305.25-00.75
March	298.00	+2.00	298.00
April	293.25	+2.25	—
May	287.50	—	286.00
June	286.00	−1.00	—
July	287.00	−1.00	—

Turnover: 1,463 (996) lots of 100 tonnes.

GOLD MARKETS

Gold rose $4 an ounce in the London bullion market yesterday from Monday's close to finish at $410-411. The metal opened at $409-410 and traded between a high of $410¾-411¾ and a low of $408-409. Trading was generally dull and featureless with little in the way of fresh factors to stimulate trading.

In Frankfurt the 12½ kilo bar was fixed at DM 34,220 per kilo ($11.02 per ounce) against DM 34,325 ($411.98) and closed at $409½-411 from $419-420½.

In Paris the 12½ kilo bar was fixed at FFr 96,300 per kilo ($409.54 per ounce) in the afternoon compared with FFr 96,050 ($408.67) in the morning and FFr 96,500 ($410.93) on Monday afternoon.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar at the fixing was $410.25 from $413.0.

In Zurich gold finished at $408.411 from $416-419.

LONDON FUTURES

Month	Yest'rday's close	+ or −	Business Done
	$ per troy ounce		
November	—	—	—
December	413.40 3.70	+6.700	413.60-10.0
January	416.00 6.40	+5.200	—
February	419.50-20.0	+5.750	418.70-17.2
March	422.00-2.50	+4.900	—
April	425.00-6.00	+4.900	—
May	428.20-9.10	+5.050	—

Turnover: 818 (2,056) lots of 100 troy ounces.

	Nov. 9		Nov. 8	
Gold Bullion (fine ounce)				
Close	$410-411	(£247-247½)	$406-407	(£245¼-245¾)
Opening	$409-410	(£248¼-247¼)	$410-411	(£247½-248)
Morning fixing	$410	(£247.510)	$411	(£248.039)
Afternoon fixing	$409.25	(£246.878)	$407.25	(£246.117)

Gold Coins Nov. 9					
Krugrnd	$423-424	(£256-255¾)	King Sov	$96½-97½	(£58-58½)
½ Krug	$217½-218½	(£131¼-131¾)	Victoria Sov	$96½-97½	(£58-58½)
¼ Krug	$110½-111½	(£66¾-67¼)	French 20s	$86-88¼	(£51¾-53¼)
1/10 Krug	$45-46	(£27¼-27¾)	50 pesos Mex	$493-496	(£297¼-299)
Mapleleaf	$424-426	(£256¼-256¾)	100 Cor. Aust	$398-402	(£240-242¼)
New Sov	$96-97	(£57¾-58½)	$20 Eagles	$465-485	(£280½-287¾)
½ New Sov	$58-60	(£35-36¼)			

EUROPEAN MARKETS

ROTTERDAM, November 9

Wheat—(U.S. $ per tonne): U.S. No Two Red Winter Nov 152, Dec 154, Jan 156. U.S. No Three Amber Durum Nov 178, Dec 176, April-May 183. U.S. No Two Northern Spring 14 per cent Nov 178, Dec 177.50, Jan 182, Feb 186.

Maize—(U.S. $ per tonne): U.S. No Three Yellow spot 117.50, Nov 116, Dec 114, Jan 115, Feb 116, Mar 117, April-June 119, July-Sept 124, Oct-Dec 125 sellers.

Soyabeans—(U.S. $ per tonne): U.S. Two Yellow Gulfports afloat 229.80, Nov 229, Dec 229, Jan 232, Feb 235.65, Mar 238, April 239.50, May 241, June 242, July 243.50, Oct 235.25, Nov 235.25 sellers; Argentine June 237.40, July 237.40 sellers.

Soyameal—(U.S. $ per tonne): 44 per cent afloat 206 traded; afloat 208, Oct 210, Nov 209, Dec 211, Jan 210.50, Jan-Mar 212, April-Sept 208.35 sellers. Pellets Brazil afloat 218, Oct 218, Nov 218, Dec 223.50, Jan-Mar 233, April-Sept 223 sellers.

PARIS, November 9.

Cocoa—(FFr per 100 kilos): Dec 1138/1150, March 1200/1210, May 1230/1240, July 1260/1270, Sept 1290/1300, Dec 1335/1365, March 1365/1380. Sales at call: 1.

Sugar—(FFr per tonne): Dec 1488/1495, March 1550/1555, May 1610/1611, July 1640/1650, Aug 1685/1695, Oct 1765/1775, Nov 1765/1775, Dec 1815/1835. Sales at call: 2.

BRITISH COMMODITY MARKETS

BASE METALS

THE IMPROVEMENT in sterling left Copper prices lower on the London Metal Exchange. Forward metal hit a low for the day of £872 before rallying to close at £875. Lead weakened to £296.5 and Nickel to £2,115. Tin traded within a narrow range, with heavy support buying lifting the three-months' quotation to £7,427.5, and Zinc edged upwards to £444.5. Aluminium came out of its recent doldrums under the impetus of chartist buying, and advanced to £613.5 by the close.

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −†
HighGrade	£	£	£	£
Cash	876-.5	−5.25	865.5-6.5	−5
3 months	883-.5	−5.75	874.5-5	−7
Settlem't	876.5	−5.5	—	......
Cathodes				
Cash	830-1	−1.25	818-20	−6
3 months	848.5-9	−2.75	838-9	−7.5
Settlem't	831	−1	—	......
U.S. Prod.	—	—	*72-75	......

Amalgamated Metal Trading reported that in the morning Higher Grade cash copper traded at £873.00, 76.00, 76.00, 76.50, three months £885.00, 84.00, 83.50, 83.00, 83.50, 82.00, 84.00, 83.00, 83.50. Cathodes: Three months £850.00, 49.50. Kerb: Higher Grade, three months £883.00, 83.50, 83.00, 82.50, 82.00, 82.50. Afternoon: Higher Grade, three months £875.50, 76.00, 75.50, 76.00, 74.50. Cathodes: Three months £838.00. Kerb: Higher Grade, three months £877.00, 77.50, 78.00, 77.00, 76.50, 76.00, 76.50, 75.00. Turnover: 59,850 tonnes.

TIN

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grade	£	£	£	£
Cash	7415-20	−10	7425-30	+5
3 months	7425-30	+5	7425-30	+5
Settlem't	7420	−10	—	......
Standard				
Cash	7415-20	−10	7425-30	+5
3 months	7425-30	+5	7425-30	+5
Settlem't	7420	−10	—	......
Straits E.	$29.15	—	—	......
NewYork	—	—	—	......

Tin—Morning: Standard, cash £7,430, 15, three months £7,430, 25, 22, Kerb: Standard, three months £7,430, 22, 25. Afternoon: Standard, three months £7,425, 30. Kerb: Standard, three months £7,425. Turnover: 3,515 tonnes.

LEAD

LEAD	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	287.5-8.5	+.5	288.75-7.75	−.5
3 months	297-.5	+.5	296.5-7	−.5
Settlem't	288.5	+.5	—	......
U.S. Spot	—	—	*25.26	......

Lead—Morning: Cash £288.00, three months £298.00, 98.50, 98.00, 97.50. Kerb: Three months £297.50, 98.00. Afternoon: Three months £297.25, 97.00, 96.75, 96.50. Kerb: Three months £296.00. Turnover: 15,275 tonnes.

ZINC

ZINC	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Cash	439.5-40.5	+.625	436-.7	+.6
3 months	445-.6	−.625	443-.5	+1
Settlem't	440.5	+1	—	......
Primw'ts	—	......	*40.0-42.75	......

Zinc—Three months £444.00, 445.00. Kerb: Three months £445.00. Afternoon: Three months £443.00, 42.00, 42.50, 43.00. Kerb: Three months £443.50, 44.00, 44.50. Turnover: 8,750 tonnes.

ALUMINIUM

Aluminm	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	598-9	+17.5	597-8	+14.5
3 months	614-5	+17.3	613-4	+14.3

Aluminium—Morning: Three months £610.00, 09.00, 10.00, 11.00, 11.50, 12.00, 13.00, 14.00, 15.00, 14.50, 15.00, 13.00, 12.50, 13.00, 13.50, 14.00, 14.50, 15.0, 14.00. Kerb: Three months 613.00, 12.50, 12.00, three months £600.00, 08.00, 09.00, 09.50, 10.00, 10.50, 10.00, 09.00, 08.50, 09.00, 09.50, 10.00, 11.00, 12.00, 13.00. Kerb: Three months £612.00, 14.00, 13.00, 14.00, 13.50. Turnover: 42,600 tonnes.

Nickel—Morning: Three months £2,110, 15, 20, 25. Kerb: Three months £2,130. Afternoon: Three months £2,110, 15, 2,095, 2,105, 2,100. Kerb: Three months £2,115. Turnover: 582 tonnes.

NICKEL

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −†
Spot	2085-95	−27.5	2060-70	−38.5
3 months	2120-30	−28	2100-5	−40

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

Silver was fixed 4.45p an ounce lower for spot delivery in the London bullion market yesterday at 612.45p. U.S. equivalents of the fixing levels were: spot $10.142, down 8.3c; three-month $10.366, down 8.7c; six-month $10.611, down 6.3c; and 12-month $11.127, down 7.3c. The metal opened at 610-613p (\$10.13-10.18) and closed at 623-628p (\$10.35-10.40).

SILVER per troy oz.	Bullion fixing price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	612.45p	−4.45	612.45p	−0.8
3 months	624.85p	−4.45	624.9p	−0.85
6 months	637.40p	−5.60	—	......
12months	664.30p	−7.05	—	......

LME—Turnover: 105 (135) lots of 10,000 ozs. Morning: Three months 625.0, 25.5, 25.0, 25.1. Kerb: Three months 625.0, 24.5, 25.0, 25.50, 26.0. Afternoon: three months 625.0, 24.5, 25.0, 25.5, 25.0, 24.5. Kerb: three months 625.0, 25.5, 25.0.

INDICES

FINANCIAL TIMES

Nov. 9	Nov. 8	M'th ago	Y'ar ago
229.87	230.44	231.67	256.25

(Base: July 1 1952 = 100)

REUTERS

Nov. 9	Nov. 8	M'th ago	Y'ar ago
1528.3	1527.8	1510.5	1687.7

(Base: September 18 1931 = 100)

MOODY'S

Nov. 8	Nov. 5	M'th ago	Y'ar ago
995.7	995.9	971.1	1001.5

(December 31 1931 = 100)

DOW JONES

Dow Jones	Nov. 8	Nov. 5	Month ago	Year ago
Spot	128.26	129.00	125.40	—
Fut's	134.33	135.95	134.97	—

(Base: December 31 1974 = 100)

COCOA

Futures were steady on further trade and commission house short-covering but a lack of follow through light profit-taking at the close. Actuals trading remained quiet, reports Gill and Duffus.

COCOA	Yesterday's Close	+ or −	Business Done
	£ per tonne		
Dec	981-83	+4.0	986-87
March	991-92	+5.0	991-81
May	1009-10	+6.5	1011-02
July	1021-22	+5.0	1026-21
Sept	1034-35	+5.5	1047-39
Dec	1053-55	+6.0	1072-64
March	1063-65	+6.0	1068

Sales: 2,449 (1,769) lots of 10 tonnes. ICCO—Daily prices for Nov. 9: 68.47 (68.89). Indicator price for Nov. 9: 69.33 (69.39).

COFFEE

Fresh contract highs were established in most positions as keen trade and commission house buying encouraged firmer prices during a more active session, reports Drexel Burnham Lambert.

COFFEE	Yest'day's Close	+ or −	Business Done
	£ per tonne		
Nov.	1560-70	+38.5	1572-30
January	1503-04	+33.0	1506-78
March	1418-19	+16.5	1419-98
May	1340-44	+33.0	1342-18
July	1295-98	+29.5	1302-65
Sept	1264-67	+29.5	1850-20
Nov	1205-10	+24.0	1198

Sales: 4,172 (1,281) lots of 5 tonnes. ICO indicator price for Nov 8 (U.S. cents per pound). Comp daily 1979 127.04 (same); 15-day average 128.23 (128.32).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 262 tonnes. Renewed buying was reported in a number of instances, with considerable interest shown in South American and Middle Eastern growths. Follow-on purchases took place, as users were anxious to supplement their stocks.

GRAINS

The market opened unchanged with support in the nearby positions from shipper buying. Late in the day the market drifted down in quiet trading. Acli reports.

WHEAT			BARLEY	
Mnth	Yesterd'ys close	+ or −	Yest'rd'ys close	+ or −
Nov	113.65	−0.05	108.90	−0.05
Jan	116.95	−0.15	111.60	−0.10
Mar	119.90	−0.20	114.65	−0.15
May	122.90	−0.20	117.60	−0.15
July	124.95	−0.15	—	—
Sep	113.80	—	107.45	—

Business done—Wheat: Nov 114.00 only, Jan 116.70-6.50, Mar 119.45-9.30, May 122.20 only, July and Sept untraded. Sales: 98 lots of 100 tonnes. Barley: Nov 109.05-9.00, Jan 111.95-1.80, Mar 114.80 only, May 117.75-7.60, Sept untraded. Sales: 71 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 1 14 per cent Nov 116.75, Dec 117.25, Jan 120.25 trans shipment East Coast sellers. English Feed fob Dec 120.50, Jan-Mar 122.25 East Coast sellers. Maize: French Nov 136 East Coast sellers. South African White/Yellow Nov-Dec 80.00 sellers. Barley: English Feed fob Nov 113.50 East Coast sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed Barley: S East 106.80, W Mids 105.50, N West 105.40. The UK monetary coefficient for the week beginning Monday November 15 (based on HGCA calculations using five days exchange rates) is expected to remain unchanged.

POTATOES

The market opened slightly lower, but buyers forced gains of up to £1.10 before sellers appeared in any quantity. Long liquidation, as prices slipped, increased pressure in a nervous market, reports Coley and Harper.

Month	Yesterd'y's close	Previous close	Business Done
	£ per tonne		
Nov	58.50	58.10	[illegible]
Feb	70.50	72.20	[illegible]
April	83.90	83.20	[illegible]
May	89.90	88.20	[illegible]
Nov	67.90	67.50	[illegible]

Turnover 648 (778) lots of 40 tonnes.

RUBBER

The London physical market opened slightly easier, attracted little interest throughout the day, and closed dull. Lewis and Peat reported a December fob price for No 1 RSS in Kuala Lumpur of 201.0 (204.5) cents a kg and SMR 20 170.0 (same).

No. 1 R.S.S.	Yesterday's close	Previous close	Business Done
[illegible]	[illegible]	[illegible]	[illegible]

Sales: 394 (117) lots of 15 tonnes, nil (nil) lots of 5 tonnes.

Physical closing prices (buyers) were: spot 47.25p (47.75p); Dec 51.50p (52.00p); Jan 51.75p (52.25p).

SOYABEAN MEAL

The market opened slightly easier on light profit-taking, reports T. G. Roddick. Quiet cash markets generated little interest and prices closed lower.

	Yesterday's close	+ or −	Business Done
	£ per tonne		
[illegible]	[illegible]	[illegible]	[illegible]

Sales: 52 (136) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar £101.00 (same) a tonne cif Nov-Dec shipment. White sugar daily price £122.00 (£123.00).

The market initially fell but later rallied following higher New York No 11 quotations, reports C. Czarnikow.

No. 4 Con-tract	Yesterday's close	Previous close	Business done
	£ per tonne		
Jan	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]

Sales: 4,036 (2,633) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis white sugar was £405.50 (same) a tonne for home trade and £206.00 (same) for export.

International Sugar Agreement (U.S. cents per pound fob and stowed Caribbean port). Prices for Nov 8: Daily price 6.47 (6.53); 15-day average 6.29 (6.26).

TEA AUCTIONS

LONDON TEA AUCTION — 27,892 packages were on offer at this week's auction, including 230 packages in the offshore section. A strong demand prevailed. Assam CTCs met with keen general demand ...

MEAT/FISH

SMITHFIELD—Pence per pound. Beef: Scotch killed sides ...

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated. Imported Produce: ...

WOOL FUTURES

...

AMERICAN MARKETS

NEW YORK, November 9

Gold and silver were higher throughout the session on buying prompted by a firm stock market and weak dollar. Copper was slightly firmer on sympathetic buying in line with precious metals. Cocoa attracted light commission house buying on lack of producer offering. Coffee continued to recover on light support which generated further commission house interest. Cotton was mixed in feature-less trading with light evening up ahead of the USDA crop report. Grains and beans consolidated in narrow trading ranges with support derived from light country cash movement and restrictions on lack of export business. Heating oil moved higher initially in line with London but the highs were not able to be maintained due to continued warm weather in eastern U.S., reported Heinold.

NEW YORK

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Dec	1372	1406	1368	1383
March	1459	1495	1456	1471
May	1510	1545	1510	1525
July	1562	1582	1562	1563
Sept	1578	1590	1578	1596
Dec	1655	1655	1655	1636

COFFEE "C" 37,000 lb. cents/lb

	Close	High	Low	Prev
Dec	137.48	137.50	134.65	136.08
March	132.58	133.49	131.05	132.08
May	128.25	128.50	126.50	127.38
July	124.68	125.00	123.75	124.15
Sept	122.38	122.75	122.00	121.15
Dec	119.75	120.50	119.00	119.15
March	117.75	117.50	117.50	118.50

COPPER 25,000 lb. cents/lb; COTTON 50,000lb. cents/lb; GOLD 100 troy oz. $/troy oz; HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons; PLATINUM 50 troy oz. $/troy oz; SILVER 5,000 troy oz. cents/troy oz — [illegible]

SPOT PRICES—Chicago loose lard 17.50 (same) cents per pound. Handy and Harman bullion silver 1016.0 (1012.00) cents per troy ounce. New York tin 565.0-67.0 (563.0-65.0) cents per pound.

SUGAR WORLD "11" 112,000 lb. cents/lb — [illegible]

CHICAGO

LIVE CATTLE 40,000lb. cents/lb; LIVE HOGS 30,000lb. cents/lb; MAIZE 5,000 bu min, cents/56lb-bushel; PORK BELLIES 38,000lb. cents/lb; SOYABEANS 5,000 bu min. cents/60lb-bushel; SOYABEAN MEAL 100 tons, $/ton; SOYABEAN OIL 60,000 lb. cents/lb; WHEAT 5,000 bu min cents/60lb-bushel — [illegible]

Dow closes sharply higher

WALL STREET stock prices closed sharply higher on strong volume as hopes increased that interest rates would soon fall.

The Dow Jones Industrial Average ended the day up 22.81 to 1060.25.

Analysts said the main cause of the optimism was that the Federal Funds rate – the rate which banks charge each other for overnight loans – fell to 9¼ per cent from the opening 9¾ per cent. If this trend continues it will put added pressure on the Fed to lower its 9½ per cent discount rate.

* * *

AT MIDSESSION the average was ahead 12.60 at 1050.04. The New York Stock Exchange all-common index was up 85 cents at $81.79.

Analysts are still predicting a trimming of the discount rate at any time. They say the Fed may have been delaying its next move so as not to have an influence on yesterday's Treasury auction of 30-year bonds.

McDonnell Douglas was a big loser in the morning session, shedding $3½ to $39. A Congressional report said the F-18 fighter built by the company and **Northrop** would not be effective against Soviet bombers.

The report aided other Aerospace issues. **Boeing, Grumman** and **Rockwell** all rose.

Canada

Toronto stocks were higher at noon, paced by a firming in gold mining issues. The Composite index rose 7.0 to 1,872.1.

Montreal stocks were also higher. The Industrials index gained 1.18 points to 332.64 on turnover of 522,401 shares.

The Vancouver Stock Exchange index was up 1.09 to 845.66 on volume of 3.31m shares.

Paris

French share prices were mixed in quiet trading. The continued strength of the dollar—which rose to another record high against the French franc—and the disappointing performance on Wall Street on Monday kept small investors on the sidelines, traders said.

The market indicator was practically unchanged at the closing bell. Declines led advances by *88 to 71 in the French* section. Foreign issues were generally favoured, however.

Banks, Engineerings, Stores, Electricals and Metals were in demand, especially **BCT, Penhoet, Alsacienne Supermarche, Valeo, Poclain, Paris-France, Matra, Usinor** and **Nord-Est.**

Germans, Japanese, Oils and *Gold mines were mostly higher* at the end. Americans finished mixed, with **General Motors** and **ITT** ahead and **3-M** and **United Technologies** *lower. Elsewhere,* **RTZ** and **Unilever** slipped back while **Ericsson** and **Philips** improved.

Germany

Share prices closed mixed with a higher bias in low turnover trading as the market continued to consolidate on current levels in the absence of fresh private or institutional buying interest, dealers said. The Commerzbank Index rose 1.2 to 704.

Cars had **Daimler** *DM 2 higher* at DM 341 and **VW** DM 0.50 up at DM 131, but **BMW** lost DM 0.50 to DM 199.50. In banks, **Deutsche** was firm, adding *DM 1* to *DM 255* as **Commerzbank** *rose* DM 0.40 to DM 128 and **Dresdner** shed DM 1.30 to DM 129.20. Engineerings showed some of the day's biggest changes. **Linde** rose DM 4 to DM 319 and **Deutsche Babcock** DM 3.30 to DM 130.30. **KHD** fell DM 1.80 to DM 191.50.

In Pharmaceuticals, **Schering** added DM 1.30 to DM 301, while *in leading Chemicals,* **Hoechst** rose DM 0.50 to DM 106.70.

Thyssen, which is considering substantial job cuts, fell DM 1 to DM 66.90. Elsewhere in Steels, **Kloeckner** lost DM 0.40 to DM 48 and **Hoesch** DM 0.40 to DM 28.30.

Stores saw **Horten** drop DM 2 to DM 125, as **Kaufhof** rose DM 0.50 to DM 172.50 and **Karstadt** ended unchanged at DM192.50.

Tokyo

Issues extended their winning streak *into the eighth consecutive session,* led by large-capital shares like Steel. The Nikkei Dow index closed up 4.74 at *7,576.40.*

Major gains were recorded by **Sony**, up Y70 to Y4,170, **Pioneer**, up Y20 at Y1,840, and **Ito Yokado**, up Y20 at Y1,000. **Hitachi** added Y11 at Y721, **Honda Motor** gained Y 13 at Y974 and **TDK** improved Y10 at Y4,860. However, **Fuji Photo** fell Y20 to Y1,750.

Hong Kong

Stock prices drifted lower in very quiet trading. The Hang Seng index closed down 7.88 at *843.77.* Combined turnover was a very low HK$113.34m.

Brokers said that most *investors were waiting to see if there would be any new developments in the troubled property* market. However, other analysts said *the market was still showing signs of consolidating at* these levels, a good sign for coming weeks. They said that much of the recent bad *news on* some property companies had been discounted by the market.

Among Properties, **Cheung Kong** fell 15c to $7.85 and **Hongkong Land** *lost* 5c to $4.20.

Among Utilities, **China Light** was unchanged at $12.80 and **Hongkong Telephone** fell 20c to $27.80.

Elsewhere, **Jardines** was unchanged at $14.80, **Hutchison** closed down 5c to $9.65 and **Hongkong Bank** fell 5c to $8.45.

Australia

Lower Wall Street prices were reflected in trading in Sydney, brokers said. The All Ordinaries index closed 4 points down at 514.9, led by a seven-point fall in the All Resources index to 405.9.

BHP lost 24c to $7.02, **CSR** fell 8c to $3.12, **CRA** shed 5c to $3.90 and **MIM, Renison** and **WMC** eased. Uranium stocks **Pancontinental** and **Era** both fell 5c to $1.50.

Gold stocks fell, with **Central Norseman** *at* $7, **GNK** at $7.90 and **Peko** at $5, all 20c lower. Banks firmed. Retailers and *Breweries* were selectively higher while Developers lost ground. Building Material stocks were steady and Transport mixed.

Singapore

Share prices declined slightly in most sectors. The Straits Times Industrial index lost 1.53 at 741.68, its first decline in almost two weeks.

Plantation issues, which had gained in the previous two days, were lower. Properties fell in the morning, but recovered to close mixed.

Milan

Prices closed narrowly easier in nervous trading influenced by fears that a new Italian government crisis could damage the economy, dealers said.

Montedison, Centrale, Snia **Viscosa, Fiat** and **Generali** were among leading issues to lose ground, but **Bastogi** and **Olivetti** *firmed slightly against the trend.*

Switzerland

Share prices opened lower on Monday's sharp downturn on Wall Street, but recovered to close above the day's lows, *dealers said. They said* the weaker trend was also because Swiss consumer prices rose an annual 6.2 per cent in October, *and inflation is expected to rise* further this month.

But selling pressure was small, with Banks and Financials partly regaining earlier losses, while Insurances and Industrials ended steady.

NEW YORK

Indices

NEW YORK – DOW JONES

New York Active Stocks

CANADA

DENMARK

FRANCE

GERMANY

AUSTRIA

BELGIUM/LUXEMBOURG

HOLLAND (continued)

ITALY

NORWAY

SPAIN

SWEDEN

SWITZERLAND

HOLLAND

AUSTRALIA

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

Financial Rand US$0.75½ (Discount of 12½%)

LONDON STOCK EXCHANGE

Markets respond to Chancellor's economic statement after initial caution—Index 7.3 higher at 622.9

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Nov 1	Nov 11	Nov 12	Nov 22
Nov 15	Nov 25	Nov 26	Dec 6
Nov 29	Dec 9	Dec 10	Dec 20

* "New-time" dealings may take place from 9.30 am two business days earlier.

The Chancellor's economic statement brought a relatively muted response from London stock markets yesterday. The proposed aids to industry did, however, generate some selective demand and an initial setback in the equity sectors was soon reversed with prices of the leaders firming to close at the day's best.

Early sentiment was clouded by Wall Street's reaction overnight and dealers opened leading shares a few pence easier. The lower values tempted buyers and a loss of 4.3 in the FT 30-share index at the 10.00 am calculation was turned into a rise of 2.4 an hour later. The tone remained firm for the rest of the trading session and the index settled at 622.9 with a rally of 7.3 after the previous two-day loss of 13.9.

Of the index constituents, TI stood out with a gain of 6 at 138p, after having been a couple of pence easier at the start, while Lucas, at 133p, rallied 3 following the previous day's sharp reaction on the reduced final dividend. Glaxo, benefiting from the U.S. marketing deal with Hoffman-La Roche, rose a full point to a peak of £12¾.

Among the sectors, poor third-quarter figures from Commercial Union unsettled Composite Insurances, although CU rallied to finish unchanged on the day.

The economic package was favourably received in the Gilt-edged market which, however, showed little sign of improved activity. Helped by the relatively steady trend in sterling against major currencies as a whole, long-dated stocks usually settled with gains of ¼. Short-dated issues also made headway, with Treasury 8¼ per cent Convertible 1985 noteworthy for a fresh gain of ⅜ to 26⅜ for the £25-paid stock. The October banking figures, distorted by the effects of the heavily oversubscribed Standard Telephones and Cables issue, had little impact on sentiment.

CU dip and rally

The 64 per cent slump in third-quarter profits caused by a massive increase in underwriting losses to £179.9m initially depressed Commercial Union; after dropping to a 1982 low of 117p, however, a strong rally developed on the accompanying statement on dividend prospects and the shares closed unaltered at 126p. Other Composites cheapened in sympathy but closed above the day's lowest. General Accident, 9-monthly results due today, ended 8 off at 324p, after 320p. GRE softened 2 to 356p, after 350p, while falls of 9 and 10 respectively were seen in Royals, 433p, and Sun Alliance, 850p. Eagle Star picked up from 332p to finish a couple of pence dearer on balance at 340p.

Barclays lost 8 more to 370p but the other major clearers rallied a few pence on technical influences. Among Discount Houses, Cater Allen firmed 5 to 420p in response to the optimistic interim statement.

Imitation jewellery concern Ciro, the subject of an 80p per share cash offer from Swiss concern Swarovski, put on 2 to 85p; Mr J. P. Marque has acquired 265,000 shares in the company at various prices up to 85½p per share. Pineapple Dance Studios, which made a sparkling debut in the Unlisted Securities Market last Friday, encountered profit-taking and reacted to 88p before closing 4 off at 91p; the placing price was 52p. International Signal and Control attracted further support and put on 8 for a two-day gain of 14 to 226p.

Despite revealing first-half profits below most market estimates, Whitbread held at the overnight 156p on consideration of the increased interim dividend and the encouraging accompanying statement. Other leading Breweries improved in sympathy and Bass advanced 6 to 268p.

Subjected to an early markdown, leading Buildings picked up in the absence of selling to close with moderate gains in places. Blue Circle closed 5 dearer at 495p, after 485p, while Tarmac ended a net 8 up at a 1982 peak of 432p, after 422p. Barratt Developments met renewed investment demand and put on 14 to 426p, while the new nil-paid shares advanced 10 to 105p premium. Further interest was shown in McCarthy and Stone, which firmed 15 more to 370p, while revived demand in a thin market lifted Modern Engineers of Bristol 4 to 23p. Builders' merchants Erith rose 6 to a 1982 peak of 107p, while P. C. Henderson gained 10 to a high for the year of 243p.

Inclined easier initially, ICI rallied and subsequently traded on a quietly firm note to close 2 dearer on balance at 326p. Renewed demand ahead of the interim results, due next Monday, lifted Amersham International 8 to 278p.

Interest in Stores was again mainly confined to secondary issues. A Press article advising caution prompted an active business in recent high-flyer Polly Peck; down to £11 early in the session, the shares rebounded to £11⅞ before reverting to unchanged at £11¼. A brisk trade also developed in Cornell which closed 10 lower at 230p, after 228p, and in Wearwell, 4 off at 79p. Jewellers, generally neglected of late, returned to favour and finished with modest gains reflecting vague rumours of a broker's bullish circular. H. Samuel rose 3 to 107p, while Ernest Jones, 74p, and Ratners, 46p, both firmed 2. Among mail-orders, Freemans stood out with a rise of 6 at 102p.

Lack of investment incentive resulted in another subdued day in major Retailers, although the undertone remained firm and some small gains were apparent at the close.

Fidelity Radio advanced 9 to 79p, after 80p, in response to the strong interim profits recovery and the £1m cordless telephone contract. Elsewhere in Electricals, MK issues were popular in ex-rights form, the ordinary rising 10 to 313p and the new nil-paid shares improving from the opening level of 80p premium to a close of 90p premium. Cable and Wireless, on the other hand, gave up 8 at 307p and Rediffusion lost 10 to 273p. Suter, a firm market recently on talk of management changes, eased 4 to 30p after profit-taking.

Engineering leaders encountered selective support in the wake of the Chancellor's economic package. TI were particularly favoured and some good buying from the Midlands left the shares 6 higher at the close of 138p. GKN also fared well with an improvement of 5 to 125p, while Vickers gained 3 to 116p.

Foods generally rallied from lower opening levels to close with small irregular movements. Tesco, half-yearly results due next Wednesday, finished 2 dearer on balance at 109p, after 104p. Outside of the leaders, G. F. Lovell touched 70p on speculative buying before settling 2 firmer on balance at 68p following the agreed 66.4p per share bid from Kirby and West, a private dairy and ice-cream manufacturing concern; Kirby intends to retain Lovell's listing.

Glaxo at new peak

Comment on the group's proposed link-up with Hoffman-La Roche to market its Zantac anti-ulcer drug in the U.S. kept Glaxo in the limelight among miscellaneous industrials and the shares jumped a full point to an all-time peak of £12¾. BOC attracted buyers on the Chancellor's economic statement and rose 7 to 193p, while the 9 per cent Loan 2001-06 gained 6 points to £144. Smith's Industries jumped 23 to 350p in response to the better-than-expected preliminary results, while De La Rue advanced 50 to 560p, after 565p, following the chairman's forecast of a substantial profits increase in the second half of the year. W. Canning continued firmly at 55p, up 5, while London and Liverpool Trust put on 4 more to 151p. Recovery hopes helped Hoover A to gain 5, at 80p, but the near-£1m annual deficit left A. Arenson 3 off at 26p. Profit-taking led to a fall of 20 to 785p in Unilever; the interim results are scheduled for next Tuesday.

Holiday tour operators turned dull following a further warning about over-capacity within the industry. Horizon Travel reacted to 217p before closing a net 10 down at 220p, while Intasun shed 4 to 120p and Saga 2 to a low for the year of 106p.

Sharply lower on Monday following the surprise dividend cut, Lucas attracted scattered support on vague recovery prospects and closed 3 dearer at 133p, after 134p. Support was also forthcoming for Dunlop, a couple of pence to the good at 52p, but Automotive Products eased that much to 30p. Distributors featured Hartwells, which advanced 6 to 82p following the sharply increased first-half earnings.

Hopes that the Chancellor's latest boost to industry will result in a marked increase in advertising expenditure prompted good support of agencies. Geers Gross were particularly buoyant at 160p, up 10, while Saatchi and Saatchi closed 12 to the good at 515p.

Secondary Properties displayed a couple of contrasting features: Stewart Nairn put on 4 to 44p following the EGM approving the acquisition of certain properties in Tampa, Florida, but Mountleigh, a rising market recently on speculative interest, met profit-taking and shed 20 to 125p. Elsewhere, Daon Developments rose 13 for a two-day gain of 26 to 103p on Canadian advices. The leaders again failed to attract any worthwhile business and continued to drift lower.

Oils improve

Overshadowed recently by the forthcoming Britoil offer, leading Oil shares took a modest turn for the better. British Petroleum edged up a couple of pence to 322p, while Shell rallied 8 to 428p, the latter ahead of tomorrow's third-quarter figures. Lasmo firmed 8 to 345p. Elsewhere, Branon put on 5 to 50p following the chairman's optimistic statement about prospects.

In Overseas Traders, Boustead eased 4 to 54p following the sale of the Balmoral Park residential property by a subsidiary for around $S26.5m.

Golds edge higher

The firmer trend of both the bullion price and early trading on Wall Street helped South African golds to register widespread small gains. Randfontein Estates did best among the heavyweights with a ¾ jump to £48¾, while improvements of ½ were common to Hartebeestfontein at £32¾, Southvaal at £23½, Western Deep Levels at £22½ and Western Holdings at £23½. Kloof went against the trend with a dip of ¼ to £19, and Vaal Reefs gave up ½ to £46.

Among medium and lower-priced stocks, Grootvlei closed 23 to the good at 603p, while gains in excess of 10 were recorded by ERPM at 815p, Ergo at 313p, Doornfontein at 966p and Stilfontein at 815p. Much of the demand came from South Africa, and was encouraged by the general feeling that the recent declines had been overdone.

Bullion was finally $4 up at $410.5, and the Gold Mines index gained 2.1 to 375.8.

The leading South African Financials had a quiet day, with Gold Fields of South Africa putting on ⅛ to £44⅛. Some of the smaller finance houses, which have been largely immune to the recent declines, came under pressure, as in Middle Wits and UC Investments, which fell 30 apiece to 660p and 770p respectively, and Sentrust, down 15 to 558p.

Palabora recouped all of the previous day's fall and more, closing 25 higher at 650p, while the strength of gold lifted Consolidated Murchison 10 to 260p.

Australians opened lower in line with overnight Sydney and Melbourne markets, but rallied towards the close. Western Mining at 195p and Peko-Wallsend at 288p closed showing falls of just 2, after being several pence weaker at one stage, and CRA ended with a gain of 4 at 226p.

After a relatively dull morning session, interest in Traded Options improved during the afternoon and total contracts done yesterday amounted to 2,108 with business well balanced between calls and puts. A particularly useful two-way trade developed in Commercial Union following the disappointing third-quarter figures with 476 calls and 316 puts struck. Courtaulds attracted a good call business with 180 trades done, 142 of which were struck in the January 80s: the interim results are due later this month. Support was also seen for Marks and Spencer positions especially the January 220s which attracted 228 calls. The biggest price movements were noted in Oils with Shell Transport January 420 calls rising 8 to 34p.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov 8	Nov 19	Feb 17	Feb 28
Nov 22	Dec 3	Mar 3	Mar 14
Dec 6	Dec 17	Mar 17	Mar 28

For rate indications see end of Share Information Service

Money was given for the call in John Brown, Premier Oil, ICL, Tecalemit, Lucas, Durban Deep, European Ferries, Yelverton, Cornell, London and Liverpool, Chloride, Carlton Real Estates, Fobel International, British Vita, First Castle, International Signal and Control, Smith St. Aubyn, Abwood Machine Tools, Hawley, Caffyns, Pacific Copper, Moben and De La Rue. A put was done in Loraine, while doubles were arranged in RTZ, Trident TV A, Lasmo and George Sturla.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	59	5	30
Corpns Dom & Foreign Bonds	11	1	63
Industrials	217	284	825
Financial & Props	81	144	294
Oils	19	36	56
Plantations	—	4	19
Mines	28	49	70
Others	26	77	59
Totals	441	600	1,416

FINANCIAL TIMES STOCK INDICES

	Nov. 9	Nov. 8	Nov. 5	Nov. 4	Nov. 3	Nov. 2	A year ago
Government Secs.	84.94	84.80	85.01	85.27	85.84	85.80	62.34
Fixed Interest	86.43	86.23	86.50	86.51	86.49	86.17	63.00
Industrial Ord.	622.9	615.6	626.9	629.5	624.3	616.5	502.7
Gold Mines	375.8	373.7	385.5	399.3	405.5	406.3	347.2
Ord. Div. Yield	4.86	4.95	4.92	4.90	4.92	5.02	5.91
Earnings, Yld.% (full)	10.41	10.70	10.55	10.50	10.55	10.76	9.88
P/E Ratio (net) (*)	11.53	11.21	11.37	11.43	11.38	11.16	13.16
Total bargains	23,704	23,330	25,218	25,656	21,660	23,433	19,159
Equity turnover £m.	—	177.00	186.25	283.60	201.48	198.72	127.28
Equity bargains	—	19,931	20,671	21,918	18,090	19,326	14,981
Shares traded (ml)	—	112.2	120.3	168.8	145.3	134.0	89.7

10 am 611.3. 11 am 618.0. Noon 619.1. 1 pm 618.9. 2 pm 619.5. 3 pm 620.0.

Basis 100 Govt. Secs. 16/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.
Latest Index 01-246 8026.
Nil=10.70

HIGHS AND LOWS

	1982 High	1982 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	85.84 (5/11)	61.89 (5/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	86.51 (4/11)	62.79 (7/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	629.5 (4/11)	518.1 (5/1)	629.5 (4/11/82)	49.4 (26/6/40)
Gold Mines	422.5 (21/10)	181.2 (22/6)	558.9 (22/9/80)	43.5 (28/10/71)

S.E. ACTIVITY

	Nov. 8	Nov. 5
—Daily Gilt Edged Bargains	256.7	269.6
Equities Bargains	129.1	133.9
Value	357.8	390.5
5-day Avrge. Gilt Edged Bargains	247.5	248.1
Equities Bargains	129.5	126.5
Value	416.0	416.2

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue price	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

MONDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Amersham Intl	278	+ 8	Fidelity Radio	79	+ 9
Barratt Dev	426	+14	General Accident	324	− 8
Commercial Union	126	—	Glaxo	£12¾	+ 1
Cons. Gold Fields	410	− 5	M. K. Electric	313	+10
De La Rue	560	+50	Polly Peck	£11¼	—
Electrocomponents	205	−10	Tesco	109	+ 2

ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Mon. close	Day's change	Stock	No. of changes	Mon. close	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues Nov 9 1982 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon Nov 8 Index No.	Fri Nov 5 Index No.	Thurs Nov 4 Index No.	Wed Nov 3 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (209)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Engineering Contractors (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (67)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (202)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (24)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Newspapers, Publishing (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Packaging and Paper (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (46)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39 Other Consumer (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (76)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (487)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (119)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63 Discount Houses (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance Brokers (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (51)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (109)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (4)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (750)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Tues Nov 9	Day's change %	Mon Nov 8	xd adj. today	xd adj. 1982 to date
British Government					
1 5 years	120.62	+0.07	120.53	—	10.31
2 5-15 years	135.47	+0.26	135.11	—	11.45
3 Over 15 years	143.27	+0.34	142.79	—	[illegible]
4 Irredeemables	154.78	+0.72	153.67	—	[illegible]
5 All stocks	133.08	+0.23	132.77	—	11.49
6 Debentures & Loans	107.27	+0.31	106.94	—	9.84
7 Preference	69.51	−0.02	69.53	—	6.22

AVERAGE GROSS REDEMPTION YIELDS	Tues Nov 9	Mon Nov 8	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1982

NEW HIGHS (88)

BRITISH FUNDS (2)
Gas 3pc 1990-95 Redmptn. 3pc '86-96

CORPORATION LOANS (3)
Herts. 6¼pc '85-87 LCC 6¼pc '88-90
LCC 5½pc '85-87

COM'WEALTH & AFRICAN LOANS (1)
N.Z. 7¼pc 1988-92

FOREIGN BONDS (1)
Ireland 9¾pc '91-96

AMERICANS (4)
Browning-Ferris Honeywell
Colgate-Palmolive Hutton (E. F.)

CANADIANS (1)
Toronto Dom. Bank

BREWERS (3)
Greene King Vaux
Morland

BUILDINGS (13)
Barratt Dev. McCarthy & Stone
Bellway Meyer Int.
Cakebread Robey A SGB Group
Countryside Tarmac
Erith Tilbury Group
French Kier Wilson (Connolly)
Henderson (P. C.)

CHEMICALS (1)
Rentokil

STORES (3)
Goldberg (A.) S. U. Stores 25pc Pf.
Marks & Spencer

ELECTRICALS (5)
Fidelity Radio M.K. Electric
First Castle Pactrol Elect.
Highland Elect.

ENGINEERING (7)
[illegible]

FOODS (2)
Lovell (G. F.) Tesco

HOTELS (2)
[illegible]

INDUSTRIALS (15)
[illegible]

INSURANCE (1)
[illegible]

MOTORS (1)
[illegible]

NEWSPAPERS (1)
Collins (William)

PAPER (2)
Geers Gross Good Relations

PROPERTY (5)
[illegible]

TRUSTS (14)
[illegible]

OIL & GAS (2)
[illegible]

MINES (1)
CRA

NEW LOWS (40)

BANKS (1)
Ansbacher

BUILDINGS (2)
[illegible]

STORES (1)
[illegible]

ELECTRICALS (1)
[illegible]

ENGINEERING (3)
[illegible]

INDUSTRIALS (7)
[illegible]

INSURANCE (1)
[illegible]

LEISURE (1)
[illegible]

PROPERTY (14)
[illegible]

SHIPPING (2)
[illegible]

TRUSTS (1)
[illegible]

OIL & GAS (4)
[illegible]

OVERSEAS TRADERS (1)
[illegible]

MINES (1)
Rand London

London Clearing Banks' balances

as at October 20 1982

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1. AGGREGATE BALANCES

	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	16,677		+1,456	
UK private sector	49,243		+ 142	
UK public sector	1,303		+ 182	
Overseas residents	6,913		+ 187	
Certificates of deposit	4,448		+ 142	
		78,587		+2,109
of which: Sight		24,271		+1,146
Time (inc. CD's)		54,316		+ 963
Foreign currency deposits:				
UK monetary sector	15,116		+ 55	
Other UK residents	3,423		+ 19	
Overseas residents	33,206		+1,617	
Certificates of deposit	5,396		+ 566	
		57,142		+2,258
Total deposits		135,729		+4,367
Other liabilities*		18,649		+3,266
TOTAL LIABILITIES		154,378		+7,632
ASSETS				
Sterling				
Cash and balances with Bank of England		1,304		− 60
Market loans:				
Discount houses	3,210		+ 172	
Other UK monetary sector	15,632		+2,095	
Certificates of deposit	1,541		+ 6	
Local authorities	1,383		− 8	
Other	1,472		− 52	
		23,239		+2,163
Bills:				
Treasury bills	167		+ 53	
Other bills	1,508		+ 75	
		1,675		+ 128
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,570		− 54	
Other	2,809		+ 11	
		5,379		− 44
Advances:				
UK private sector	50,544		+2,837	
UK public sector	596		+ 107	
Overseas residents	3,785		+ 100	
		54,925		+3,045
Other sterling assets*		9,015		+ 299
Foreign currencies				
Market loans:				
UK monetary sector	14,876		+ 500	
Certificates of deposit	463		+ 21	
Other	23,949		+1,400	
		39,287		+1,922
Bills		111		− 18
Advances:				
UK private sector	3,226		+ 36	
UK public sector	526		+ 9	
Overseas residents	12,546		+ 93	
		16,297		+ 123
Other foreign currency assets*		3,145		+ 75
TOTAL ASSETS		154,378		+7,632
Acceptances		2,920		+ 103
Eligible liabilities		58,517		+2,078

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Out-standing £m	TOTAL Change on month £m	BARCLAYS Out-standing £m	BARCLAYS Change on month £m	LLOYDS Out-standing £m	LLOYDS Change on month £m	MIDLAND Out-standing £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Out-standing £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Out-standing £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	135,729	+4,367	37,221	+1,376	26,203	+1,251	26,773	+141	41,907	+1,450	3,625	+149
ASSETS												
Cash and balances with Bank of England	1,304	− 60	368	+ 10	221	− 37	219	− 34	463	+ 58	33	− 8
Market loans:												
UK monetary sector	33,718	+2,767	8,050	+268	6,605	+354	5,453	+1,869	13,016	+327	594	− 41
Other	28,808	+1,318	7,501	+335	5,922	+334	5,946	+138	8,626	+269	813	+ 45
Bills	1,786	+ 111	506	+ 27	497	+ 23	382	− 1	368	+ 62	31	—
British Government stocks	2,570	− 54	886	+ 13	395	− 1	795	+ 9	416	− 90	78	+ 15
Advances	71,222	+3,167	20,926	+1,156	13,389	+478	15,377	+391	19,488	+782	2,122	+168

TABLE 3. INDIVIDUAL GROUPS OF BANKS' ELIGIBLE LIABILITIES

	TOTAL		BARCLAYS		LLOYDS		MIDLAND		NATIONAL WESTMINSTER		WILLIAMS & GLYN'S	
ELIGIBLE LIABILITIES	58,517	+2,078	18,242	+522	10,646	+433	11,603	+375	16,201	+607	1,724	+141

FT COMMERCIAL LAW REPORTS

No September loophole in U.S. embargo

ANDRE & CIE SA v TRADAX EXPORT SA

Court of Appeal (Lord Justice Waller, Lord Justice Kerr and Lord Justice Slade) October 29 1982

WHERE a seller in a string *delivers a licensed proportion* of the contractual quantity of GAFTA goods, but fails to deliver the unlicensed balance due to government restrictions, he is protected from liability in respect of the balance if the goods were not *freely* available and he can show that he used reasonable diligence in trying to obtain them; and though restrictions are lifted in respect of future quantities he is not obliged to go into the market to look for goods when all pre-existing contracts are still subject to restrictions and no loopholes remain open to anyone.

The Court of Appeal so held when allowing an appeal by Tradax Export SA, sellers, from Mr Justice Mocatta's order to set aside an award of the Board of Appeal of the Grain and Feed Association (GAFTA) in respect of a claim by Andre and Cie SA, buyers, arising out of the *September shipment of soyabean* meal affected by the U.S. embargo on exports of June 27 1973.

* * *

LORD JUSTICE KERR, giving the judgment of the court, said that on June 1 1972 the sellers contracted to sell 3,960 metric tons of soyabean meal in six monthly quantities to be shipped April to September 1973.

On June 13 1973 U.S. exporters were advised of the possibility of quota restrictions. On June 27 an embargo was put on all exports of soyabean except *goods already on lighter destined* for an exporting vessel, or being loaded on board an export vessel. Those were known as "loophole goods."

Licences were granted from *July 2 for 40 per cent* of the quantities of all existing export contracts. A bulletin of September 10 announced that *while all export contracts made* before June 13 remained restricted to 40 per cent, new contracts made on or after *September 8 would be licensed* to the extent of 100 per cent. On September 24 all restrictions were lifted as from October 1.

In September the sellers made appropriations to the buyers in respect of 40 per cent of the September quantity. The issue as to the 60 per cent balance turned on whether the sellers could successfully invoke the protection of clause 21 of GAFTA form 100.

Clause 21 provided that "in case of prohibition of export . . . preventing fulfilment, this contract or any unfulfilled portion *thereof so affected shall be cancelled."*

Under the authorities relating to the June shipment, a seller, in order to bring himself within clause 21, must show that the shipper had no loophole goods available on June 27 which might have been used to overcome the embargo. Also, the shipper might have shipped goods before the embargo, which he had not appropriated to any*one by the date of the embargo*, and that created an "unappropriated goods afloat" loophole.

Proof as to the non-existence of loopholes came to be required of any seller in a string. The result was that in order to rely on clause 21, he had to identify the person at the *head of the string who had been* prevented by the embargo from shipping or appropriating the 60 per cent balance, namely, the "relevant shipper."

The buyers said that a new loophole was created by the Bulletin of September 10, in respect of the remaining 20 days of September, in that new contracts could have been made to the extent of 100 per cent.

The GAFTA Board of Appeal held that the sellers were protected by clause 21. They took *the view that, as intermediate* traders, they were not obliged to go into the market to try to obtain goods that might be *licensed under contracts entered* into after the Bulletin. There was no evidence that such goods were available, and the sellers *had acted reasonably in the circumstances.*

The buyers appealed to Mr Justice Mocatta who set aside the Board of Appeal's award. *In the* present appeal from his decision, Mr Grace, for the buyers, argued that the sellers had not obtained *the necessary findings of fact* to excuse their failure to procure the 60 per cent balance in the market after September 10.

He said that they had failed to show that there was no one in the string above them without goods available in excess of 40 per cent; the relevant shipper might have made a fresh contract and appointed 100 per cent down the string, and the 60 per cent balance might have been *available* to traders further up the string.

Alternatively, he submitted, the relevant shipper or some trader higher up in the string might have "sold short" in that he had not concluded any purchase contract before September 10, and he *would then be* able to cover his September commitment, albeit that 40 per cent reached sellers down the string.

Those arguments were fallacious and unacceptable. First, no shippers could lawfully enter into fresh export contracts after the *September 10 Bulletin* and use part of the contractual quantity to fulfil commitments prior to June 13. All such contracts remained restricted to 40 per cent.

Secondly, the possibility that the relevant shipper or some trader *might have sold short* would suggest that someone further up the string had committed breach of contract approaching fraud.

There were limits to what a *seller in a string had to establish* in order to rely on clause 21, and it had never before been suggested that it included the trading *position of all traders* up the string, let alone having to negative any breach of contract on their part.

The authorities relating to June had gone no further than requiring sellers to establish that the relevant shipper did not *have loophole goods or unappropriated goods afloat.*

The court would *not* be willing to extend their reasoning to September when *all pre-existing contracts* were subject to a 40 per cent restriction, and none of the June loopholes remained avail*able to anyone.*

If sellers were obliged to enter the market, then all intermediate sellers, in every string for *September shipment*, would be in the same position. Thus in a string of 50 contracts, which was far from unusual, 49 sellers would be under an obligation to try to secure the contract quantity in a limited market. That would lead to commercial absurdity.

When a seller was faced with an embargo which was not absolute in its effect he could only rely on non-fulfilment if he could *show that he had used reasonable* diligence.

The Board of Appeal's finding that there was no evidence that *goods were available*, when read in the context of the award, amounted to a finding that goods were not freely available. The Board concluded that the sellers had acted reasonably. The courts should hesitate long before reaching the opposite conclusion as a matter of law.

For the sellers: Nicholas Merriman (William A. Crump)

For the buyers: David Grace (Middleton and Co.).

By Rachel Davies
Barrister

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

NOTES

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Black Horse Life Ass. Co. Ltd.

Canada Life Group

Cannon Assurance Ltd.

Capital Life Assurance

Chieftain Assurance Funds

City of Westminster Assurance

Clerical Medical Managed Funds Ltd.

Commercial Union Group

Confederation Life Insurance Co.

Continental Life Insurance PLC

Cornhill Insurance PLC

Credit & Commerce Insurance Co. (UK)

Crescent Life Assurance Co. Ltd.

Crown Life

Crown Life—Continued

Crusader Insurance PLC

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

G.T. Management Ltd.

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance PLC

Hearts of Oak Benefit Society

Henderson Administration

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. (UK)

King & Shaxson PLC

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

Lloyds Life Assurance—Continued

London A'deen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

London & Manchester Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

Multiple Health and Life Assur. Co. Ltd.

NEL Pensions Ltd.

NPI Pensions Management Ltd.

National Provident Institution

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Pearl Assurance (Unit Funds) Ltd.

Phoenix Assurance Co. Ltd.

Planned Savings Group

Premium Life Assurance Co. Ltd.

Property Growth Assurance Co. Ltd.

Providence Capitol Life Assur. Co. Ltd.

Provident Mutual Life Assoc. Assur.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Refuge Investments Limited

Royal Life Insurance Ltd.

Save & Prosper Group

Schroder Life Assurance Ltd.

Scottish Amicable Investments

Scottish Mutual Assurance Society

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Windsor Life Assur. Co. Ltd.

OFFSHORE AND OVERSEAS

Adig Investment

Albany Fund Management Limited

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Andover Futures Ltd.

Arbuthnot Securities (C.I.) Ltd.

B.I.A. Bond Investments AG

Barbank (Overseas) Ltd.

Bank of America International S.A.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bridge Management Ltd.

Britannia Intl. Investment Mngt. Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

CAL Investments (IoM) Ltd.

Capitol Asset Managers Ltd.

Capital International Fund S.A.

Charterhouse Japhet

Charterhouse Japhet Currency Mngt. Ltd.

Charlton Commodities (Isle of Man) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Cortexa International

Craigmount Fixed Int. Mngrs. (Jersey)

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Drexel Burnham Lambert

Dreyfus Intercontinental Inv. Fd.

Duncan Lawrie Inv. Mgt. (Jersey) Ltd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Ermitage Management Ltd.

Eurobond Holdings N.V.

Euroclear Obligations S.A.

Eurotax Investments Ltd.

Executive Life (C.I.F. Managers Ltd.)

F & C Mgmt. Ltd. Inv. Advisers

Fidelity International

Fleming Japan Fund S.A.

Frankfurt Trust Investment—GmbH

Free World Fund Ltd.

G. T. Management (U.K.) Ltd.

Gartmore Fund Managers Ldn. Agents

Gartmore Fund Managers (IOM)

Assicurazioni GENERALI S.p.A.

Granville Management Limited

Guinness Mahon Int. Fund (Guernsey)

Hambro Pacific Fund Mgmt. Ltd.

Hambros Fd. Mgrs. (C.I.) Ltd.

Henderson Admin. & Man. (Guernsey)

Henderson Baring Group

Hill-Samuel & Co. (Guernsey) Ltd.

Hill Samuel Investment Mgmt. Intl.

HK Fund Managers (Jersey) Ltd.

I.C. Trust Managers Ltd.

IGF Management Services Inc.

N.V. Interbeheer

International Bond Trust

International Pacific Inv. Mngt. Ltd.

Investment Advisers, Inc.

Invicta Investment Management

Jardine Fleming & Co. Ltd.

Korea International Trust

Daehan Investment Trust Co. Ltd.

Lazard Brothers & Co. (Jersey) Ltd.

Lloyds Bank (C.I.) U/T Mgrs.

Lloyds Bank International Geneva

Lloyds Bank International, Guernsey

Louis Dreyfus Commodity Fund

M & G Group

Management International Ltd.

Manufacturers Hanover Asset Mgt

Midland Bank Tst. Corp. (Jersey) Ltd.

Minet Hldgs. Ltd. Res. Shrs. Fd. Inc.

Samuel Montagu Ldn. Agents

Murray, Johnstone (Inv. Adviser)

Negit S.A.

N.E.L. International Ltd.

Newport International Management

Northgate Unit Tst. Mngrs. (Jersey)

Pacific Basin Fund

Phoenix International

Providence Capitol International Ltd.

Quest Fund Man. (Jersey) Ltd.

Quilter/Reinold Commodities

RBC Investment Managers Limited

Richmond Life Ass. Ltd.

Rothschild Asset Management (C.I.)

Save & Prosper International

Schroder Mngt. Services (Jersey) Ltd.

J. Henry Schroder Wagg & Co. Ltd.

Schroder Unit Trust Mgrs. Int. Ltd.

Scrimgeour Kemp-Gee Mngmt., Jersey

Securities Selection Ltd.

Sentry Assurance International Ltd.

Singer & Friedlander Ldn. Agents

Strategic Metal Trust Mngrs. Ltd.

Stronghold Management Limited

Surinvest (Jersey) Ltd.

TSB Trust Funds (C.I.)

Tokyo Pacific Holdings N.V.

Tokyo Pacific Hldgs. (Seaboard) N.V.

Tyndall Group

Victory House, Douglas, Isle of Man

M. G. Tyrrell & Co. (Jersey) Ltd.

Unico Invest. Fd. Mngt. Co. S.A. Lux.

Union-Investment-Gesellschaft mbH

V.C.A. Financial Management Ltd.

Vanbrugh Fund Mngmt. Intl. Ltd.

S. G. Warburg & Co. Ltd.

Warburg Invest. Mngt. (I.O.M.) Ltd.

Warburg Invest. Mngt. Jrsy. Ltd.

Wardley Investment Services Ltd.

Westaven Secs. (Guernsey) Ltd.

World Wide Growth Management

Wren Commodity Management Ltd.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
89	69	Treasury 3pc 1986	89xd	.....	3.37	6.55
107¼	86¼	Treasury 12pc '86	107¼xd	....	11.19	9.58
99⅜	80⅝	Treasury 8¼pc '84-86‡‡	99⅜	.....	8.52	8.57
116¼	96⅛	Treas. 12¼pc '86 Cnv	115¼	+⅛	10.63	7.43
114	91⅞	Exch. 14pc 1986	113½	....	12.33	9.80
111⅞	90	Exch. 13¼pc 1987	111½	.....	11.88	9.80
103½	98¼	Exch. 10½pc 1987	103	.....	10.19	9.57
94¼	73⅞	Funding 6½pc '85-87‡‡	94½	.....	6.88	7.99
85	64½	Treasury 3pc 1987	85	+¼	3.53	6.79
108½	85⅝	Treas. 12pc 1987	108⅜	.....	11.07	9.83

Five to Fifteen Years

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
97	72½	Treasury 7¾pc '85-88‡‡	96⅝	+⅛	8.19	9.05
65¾	59⅝	Exch 10½pc '88 (£60pd)	64⅞	+⅛	18.34	10.12
80¼	60⅝	Transport 3pc '78-88	80¼	.....	3.79	7.61
22¼	20¼	Treas. 9½pc '88 (£20pd)	21⅞	+⅛	9.68	9.95
107⅞	79⅞	Treasury 11½pc 1989	106⅞	+⅛	11.03	10.54
85¼	62½	Treasury 5pc '86-89	84⅜	.....	5.92	7.97
117¼	85⅞	Treasury 13pc 1990‡‡	116¼	+⅛	11.60	10.54
112	85⅝	Exch. 12½pc 1990	111	+⅛	11.43	10.64
98½	70⅛	Treasury 8¼pc '87-90‡‡	93½xd	−¼	8.75	9.33
110⅜	77⅞	Treasury 11¾pc 1991	109⅞	+¼	11.09	10.63
84⅝	59¼	Funding 5¾pc '87-91‡‡	84⅛	.....	6.88	8.53
104⅝	76⅛	Exch. 11pc 1991	103	+⅛	10.73	10.56
116⅜	81⅞	Treasury 12¾pc '92‡‡	115⅜	+⅛	11.40	10.67
102¼	70	Treasury 10pc 1992	100⅞	+⅛	10.15	10.21
112¼	80⅞	Exch. 12¼pc '92	111¼	+⅛	11.22	10.70
118¼	88⅝	Exchequer 13½pc '92	117⅝	+¼	11.66	10.84
116½	80⅝	Treasury 12½pc '93‡‡	115½	+⅛	11.22	10.67
81¼	56¼	Funding 6pc 1993‡‡	80⅜	.....	7.52	8.94
124¼	88	Treasury 13¾pc 1993‡‡	119xd	+⅛	11.51	10.70
128¼	91⅝	Treasury 14½pc '94‡‡	127¼	+⅛	11.67	10.73
119¼	86¼	Exchequer 13½pc 1994	118⅛	+⅛	11.48	10.79
115½	80¼	Exch. 12½pc 1994	114½	+⅛	11.18	10.71
96⅛	66¼	Treasury 9pc '94‡‡	95¼xd	+⅛	9.43	9.65
113¼	76½	Treasury 12pc '95	112½	+½	11.01	10.65
66¼	42⅞	Gas 3pc '90/95	66¼xd	+¼	4.53	7.14
103¼	68½	Exch. 10¼pc 1995	102	+⅛	10.37	10.42
116⅜	83¼	Treasury 12¾pc '95‡‡	115½xd	+⅛	11.06	10.56
127¾	86½	Treas. 14pc '96	126½	+⅛	11.45	10.78
97	66⅝	Treasury 9pc '92/96‡‡	96	+⅛	9.51	9.73
133	96	Treasury 15¼pc '96‡‡	131½xd	+⅛	11.62	10.81
120	86	Exchequer 13¼pc '96‡‡	118⅝xd	+⅛	11.15	10.61
63¼	43⅝	Redemption 3pc 1986-96	63¼	+¼	4.77	7.29
124	83½	Treasury 13¼pc '97‡‡	122⅞	+⅛	11.16	10.65
105⅛	69⅝	Exchequer 10½pc 1997	103⅞	+⅛	10.34	10.28
94⅛	64	Treasury 8¾pc 1997‡‡	93⅛	+¼	9.56	9.83
132¼	94¼	Exch. 15pc 1997	130⅝xd	+¼	11.53	10.88

Over Fifteen Years

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
79⅛	54½	Treasury 6¾pc '95-98‡‡	78¼	+¼	8.64	9.48
138¼	99½	Treas. 15½pc '98‡‡	137¼	+¼	11.44	10.77
116⅝	78¼	Exch. 12pc 1998	110⅝xd	+⅛	10.82	10.57
100⅝	66	Treasury 9½pc 1999‡‡	99⅝	+⅛	9.84	9.92
116	81¼	Exch. 12¼pc 1999	114½	+⅛	10.84	10.56
107	71⅛	Treasury 10½pc 1999	102¼xd	+⅛	10.26	10.21
124¼	82¼	Treas. 13pc 2000	122⅞	+½	10.96	10.63
131	89	Treas. 14pc '98-01	124¼xd	+⅛	11.23	10.71
116½	76½	Exch. 12pc '99-02	114⅞	+⅛	10.79	10.53
129½	85⅝	Treas. 13¾pc 2000-03	128⅛	+⅛	11.08	10.69
113¼	78¼	Treasury 11½pc '01-04	111⅜	+⅛	10.44	10.26
50½	33¼	Funding 3½pc '99-04	50	.....	7.16	8.84
123⅛	81⅝	Treasury 12½pc '03-05	117xd	+⅛	10.65	10.44
87⅛	59⅝	Treasury 8pc '02-06‡‡	86½	+¼	9.33	9.52
116⅜	75⅞	Treasury 11¾pc 03-07	114⅜	+⅛	10.57	10.40
128½	90	Treas. 13½pc '04-08	127⅛	+⅛	10.76	10.49
64	44¼	Treasury 5½pc '08-12‡‡	63¼	+¼	8.82	9.23
85½	55⅝	Treasury 7¾pc '12-15‡‡	84⅜	+¼	9.40	9.49
124	81⅛	Exch. 12pc '13-'17	117xd	+⅛	10.17	10.10

Undated

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
42¼	27⅜	Consols 4pc	42	.....	9.78	—
37¼	26⅛	War Loan 3½pc‡‡	36¼xd	+⅛	9.47	—
42	31½	Conv. 3½pc '61 Aft.	41½	.....	8.51	—
32¼	21	Treasury 3pc 66 Aft.	32½	.....	9.32	—
27	17¼	Consols 2½pc	26½	.....	9.52	—
26⅞	17⅝	Treasury 2½pc	26¼	.....	9.62	—

Index-Linked & Variable Rate

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
100¼	99⅞	Treas. Variable '83	100⅜xd	.....	11.86	8.50
					(1)	(2)
100⅞	95	Treas. 2pc I.L. '88	100¾	+¼	2.39	2.73
108	93	Do. 2pc I.L. '96	107¼	−¼	2.51	2.66
99⅞	93¼	Do. 2½pc I.L. 2001	99	−¼	2.51	2.63
98¼	98	Do. 2½pc I.L. 2003	98⅛	.....	2.58	2.61
103¼	86½	Do. 2pc I.L. 2006	103¼	−¼	2.43	2.53
99⅞	98¼	Do. 2½pc I.L. 2009	98¼	.....	2.49	2.59
106	90	Do. 2½pc I.L. 2011	105¼	−¼	2.48	2.53

Prospective real redemption rate on projected inflation of (1) 10% and (2) 7%.

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
108½	92¼	Finland 14½pc Ln 1986	108½	.....	13.37	11.48
109	90¼	Int. Bank 13½pc 1986	108xd	.....	12.50	10.70
111	97	Do. 14pc Ln 1987	111	.....	12.62	10.78
101¼	85	Mex 16½pc 2008	85½	.....	19.91	21.77
112	98½	N.Z. 14¼pc 1987	112	.....	12.91	11.38
107½	90¼	Sweden 13½pc 1986	106¼	.....	12.71	11.18

CORPORATION LOANS

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
102¼	85	Bath 11¼pc 1985	102¼	.....	11.00	10.34
104⅝	89¼	Birm'ham 12½pc 1985	104⅝	.....	11.95	10.36
108⅞	87	Burnley 13pc 1987	108⅞	.....	11.94	10.51
101¼	81¼	Cardiff 11pc 1986	101½	+⅛	10.83	10.51
104¼	94⅝	G.L.C. 13¼pc 1984	104¼	+¼	12.71	9.58
80½	53¼	Do. 6¾pc 90-92	80	.....	8.59	10.40
88½	67½	Herts 6¾pc 1985-87	88½	+⅛	7.62	9.82
114⅛	85	Leeds 13½pc 2006	114	+½	11.96	11.86
100¼	87½	Liverpool 9¾pc '80-84	100⅛	.....	9.74	9.68
31	21½	Do. 3½pc Irred.	31	.....	11.55	—
104⅝	95½	Lon. Corp. 13¼pc '83	104¼	+¼	12.74	9.13
99⅛	82¼	Do. 9¼pc '84-85	99	.....	9.34	9.63
93⅜	78⅜	LCC 5½pc '82-84	93⅜	.....	5.87	9.53
84½	64¼	Do. 5½pc '85-87	84½	+⅛	6.51	9.75
87	56	Do 6¾pc '88-90	87	+1¼	7.95	9.56
26¼	19½	Do. 3pc '20 Aft.	25⅜	.....	11.88	—
104½	90¼	Sunderland 12¼pc 1984	104¼	.....	11.75	9.91

COMMONWEALTH AND AFRICAN LOANS

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
98⅞	85¼	Aust. 6pc 1981-83	96¼xd	+¼	6.17	8.76
116¼	99¼	Do. 13½pc 2010	114⅜	.....	11.86	11.79
82	57	N.Z. 7¼pc 1988-92	82	+¼	9.11	10.68
93½	74⅜	Do. 7½pc '83-86	92⅞	.....	8.35	10.94
167	136	S. Rhod. 2½pc Non-Ass.	167	.....	—	—
78	58	Do. 3½pc 80-85 Assd.	78	.....	4.52	13.20
54½	32	Do. 4½pc 87-92 Assd.	54½	.....	8.43	13.40
402	318	Zimbabwe Ann (£100pd)	398	.....	—	14.15

LOANS

Public Board and Ind.

1982 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
74⅜	57⅜	Agric. Mt. 5pc '59-89	74⅜	.....	6.84	10.76
38	24¼	Met. Wtr. 3pc 'B'	37½xd	.....	8.10	10.59

LOANS—Continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

BANKS & H.P.—Cont.

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS-Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
200	75	Falcon Rh 50c	180		Q25c	10.3	7.1
33	18	Wankie Col. Z$1	19		t05c	1.2	7.9
21	12	Zam Cpr SBD0.24	16		—	—	—

Australians

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
29	10	ACM 20c	14		—	—	—
7	1½	Argos Gold NL 25c	3		←	—	—
151	54	Bond Corp	60	+1	φ010c	2.3	10.2
102	58	Bougainville Kina	96	−1	t06.71c	1.2	‡
226	147	CRA 50c	226	+4	t05c	—	‡
22	10	Carr Boyd 20c	18		—	—	—
56	22	Central Pacific	34	−½	—	—	—
380	152	Crusader Oil	345		—	—	—
26	8½	Cultus Pacific N.L.	8½		—	—	—
27	14	Eagle Corp. 10c	14	−1	—	—	—
23	8½	Endeavour 20c	9½	−½	—	—	—
460	150	G.M. Kalgoorlie 25c	450	−5	Q12½c	φ	1.6
192	134	Hampton Areas 10p	184		3.0	2.5	2.3
32	10	Haoma N.W.	14		—	—	—
22	9	Intl. Mining	17		—	—	—
12½	2	Kalbara Min 20c	12½		—	—	—
100	30	Kitchener NL 25c	72	−2	—	—	—
190	92	Meekatharra 25c	188	+1	—	—	—
43	15	Metals Ex. 50c	19	−1	Q5c	φ	9.0
29	9	Metramar Mn. 20c	13		—	—	—
10	3	Mid East Mins. NL	4½		—	—	—
274	145	M.I.M. Hldgs. 50c	210		Q5c	—	1.4
57	5	Mincorp 20c	9		—	—	—
6	3	Minefields Expl 25c	3		—	—	—
23	14	Newmetal 20c	22		—	—	—
30	6½	Nickelore N.L.	23		←	—	—
160	92	North B. Hill 50c	135		Q6c	1.3	2.5
94	10	Nth. Kalgurli	31½	−1½	—	—	—
123	67	Oakbridge 50c	84	−1	Q7c	φ	4.8
90	30	Oilmin N.L.	42	−6	—	—	—
98	34	Pacific Copper	46		—	—	—
150	68	Pancont'l 25c	84	−2	—	—	—
352	211	Peko-Wallsend 50c	286	−2	Q15c	—	0.3
31½	6	Petroel Res NL	7	−1	—	—	—
273	112	Renison 50c	165		Q5c	—	1.7
205	105	Do. Dfd	125	−5	—	—	—
56	30	Seltrust A.	52		←	—	—
27	9	Southern Pacific	12½	−½	—	—	—
46	22	Swan Resources 20c	22		—	—	—
11	2½	West Coast 25c	5		—	—	—
50	6	Westn. Coal 50c	10		—	—	—
247	150	Westn. Mining 50c	195	−2	Q2.5c	φ	0.7
41	11	White Creek 20c	40		—	—	—
30	6	York Resources	7		—	—	—

Tins

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
255	135	Ayer Hitam SM1	170		Q95c	φ	14.7
140	55	Geevor	80	−5	—	—	—
12	9½	Gold & Base 12½p	10		—	—	—
640	250	Gopeng Cons.	285xd		21.0	1.2	5.5
670	230	Hongkong	550		21.0	φ	5.5
22	13	Jantar 12½p	13		1.5	2.8	16.5
130	42	Kamunting SM0.50	77		ψQ27½c	0.6	9.0
426	350	Killinghall SM1	375		ψQ60c	φ	4.0
98	43	Malaysia Mng. 10c	53xd	−2	ψQ17½c	1.6	8.1
42	20	Pahang	29		BtQ0.63	0.8	‡
450	290	Pengkalen 10p	340φ		1.0	—	0.4
330	190	Petaling SM1	200		ψQ60c	φ	‡
69	68	South Crofty 10p	69		←	—	—
200	130	Sungei Besi SM1	160		ψQ185c	0.6	29.0
55	25	Supreme Corp. SM1	40		ψQ3½c	φ	2.4
110	97	Tanjong 15p	98		q3.5	φ	5.1
85	43	Tongkah H. Tin (Sm	55		ψQ25%	1.3	‡
255	125	Tronoh SM1	185		ψQ50c	2.3	6.8

Miscellaneous

1982 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
40	20	Anglo-Dominion	37	−1	—	—	—
16½	12	Burma Mines 10p	12½		0.55	1.0	6.3
130	27	Colby Res. Corp.	93	−2	—	—	—
292	170	Cons. Murch 10c	260	−10	‡Q60c	1.9	‡
8	1½	‡‡Exploura Gold	3		—	—	—
105	55	Highwood Res.	85		—	—	—
255	160	Northgate C$1	220	−10	—	—	—
473	344	R.T.Z.	452xd	−4	16.0	1.6	5.1
£113½	£84	Do. 3½pc Cv. Ln 95-2000	£105½xd	−1	Q9½%	23.9	(9.3)
20	11	Sabina Inds. C$1	12	−2	—	—	—
44	27	‡Southwest C. 10p	44		—	—	—
500	270	Tara Exptn. $1	280	−10	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- "Tap" Stock
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- φ Figures or report awaited
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 163(3)
- ¶ Price at time of suspension
- § Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast
- ● Merger bid or reorganisation in progress
- ♠ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided
- ‖ No par value

B Fr. Belgian Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend; P/E ratio based on latest annual earnings. u Forecast dividend; cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment; Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xk ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or −
Albany Inv 20p	44	
Bertram	37d	
Bdg'wtr Est 50p	465	
Clrg & Rose £1	£12½	
Findlay Pkg 5p	31	
Graig Ship £1	£26	−1
Higson Brew	100	
Holt (Jos) 25p	780	−10
I.O.M. Stm £1	80	
Pearce (C. H.)	£11½	
Peel Hldgs	157	
Sheff. Refrshmt	147	
Sindall (Wm.)	270	

IRISH

Stock	Price	+ or −
Exch 15pc 1983	£101⅜	
Nat 9¾% 84/89	£85⅝	−¼
Fin 13% 97/02	£92½	−½
Alliance Gas	104	−1
Arnott	205	
Carroll (P.J.)	82	
Concrete Prods	61	
Heiton (Hldgs.)	18	
Ins. Corpn Ireland	400	
Irish Ropes	28	
Jacob	70	
T.M.G.	5	
Unidare	45	

OPTIONS

3-month Call Rates

Industrials					
Allied-Lyons	15	House of Fraser	15	Utd. Drapery	7
BOC Grp.	17	I.C.I.	24	Vickers	12
B.S.R.	6	"Imps."	10	Woolworths	8½
Babcock	10	I.C.L.	8	**Property**	
Barclays Bank	35	Ladbroke	16	Brit. Land	7½
Beecham	35	Legal & Gen	28	Cap. Counties	12
Blue Circle	44	Lex Service	16	Land Secs	26
Boots	22	Lloyds Bank	35	MEPC	17
Bowaters	19	"Lofs"	4	Peachey	14
Brit. Aerospace	20	London Brick	11	Samuel Props.	10
B.A.T.	50	Lucas Inds.	12	Town & City	3
Brown (J.)	4	"Mams"	12		
Burton Ord.	24	Mrks. & Spncr	16	**Oils**	
Cadburys	11	Midland Bank	30	Brit. Petroleum	26
Courtaulds	8	N.E.I.	9	Burmah Oil	12
Debenhams	8½	Nat. West. Bank	38	Charterhall	5
Distillers	20	P & O Dfd.	14	KCA	8
Dunlop	5½	Plessey	50	Premier	4
Eagle Star	30	Racal Elect.	45	Shell	35
F.N.F.C.	4	R.H.M.	6	Tricentrol	22
Gen. Accident	30	Rank Org. Ord.	25	Ultramar	42
Gen. Electric	24	Reed Intnl.	26		
Glaxo	90	Spillers	9	**Mines**	
Grand Met.	25	T.I.	13	Charter Cons.	20
G.U.S. "A"	50	Tesco	8	Cons. Gold	40
Guardian	35	Thorn EMI	38	Lonrho	8
G.K.N.	15	Trust Houses	13	Rio T. Zinc	42
Hawker Sidd.	30	Turner & Newall	4		
		Unilever	65		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 39

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

Companies and Markets **CURRENCIES, MONEY and CAPITAL MARKETS**

FOREIGN EXCHANGES

Discount rate hopes depress dollar

Profit-taking and hopes of a cut in the Federal Reserve discount rate in the next few days pushed the dollar down from its recent peaks in fairly quiet foreign exchange trading. Demand for the Swiss franc tended to help other European currencies stage a partial recovery, but the Japanese yen was again the most popular of the major currencies.

Sterling was steady against most Continental currencies, and improved against the dollar, showing little reaction to Monday's financial statement by the Chancellor or yesterday's distorted money supply figures.

DOLLAR — Trade-weighted index (Bank of England) 126.2 against 111.8 six months ago. High interest rates as a result of inflationary pressures caused by above target money supply have kept the dollar firm, and the U.S. currency has not been adversely influenced by hopes of lower interest rates to stimulate a weakening economy — The dollar fell to DM 2.5825 from DM 2.5940 against the D-mark; to SwFr 2.2140 from SwFr 2.2360 against the Swiss franc; to FFr 7.3025 from FFr 7.3250 against the French franc; and to Y271.50 from Y275.70 against the fast improving yen.

STERLING — Trading range against the dollar in 1982 is 1.9265 to 1.6535. October average 1.6967. Trade-weighted index 91.7, against 91.7 at noon, 91.8 at the opening, 91.8 at the previous close, and 90.3 six months ago. The pound is near a six-year low against the dollar, but remains firm against Britain's major European trading partners, helped by falling inflation — Sterling touched a low of $1.6550-1.6560 in early trading, but improved to a peak of $1.6610-1.6620 in the afternoon, before closing at 1.6595-1.6605, a rise of 65 points on the day. The pound eased to DM 4.29 from DM 4.2925; to SwFr 3.6775 from SwFr 3.70; and to Y451 from Y456, but rose slightly to FFr 12.12 from FFr 12.11.

D-MARK — Trading range against the dollar in 1982 is 2.5940 to 2.2410. October average 2.5302. Trade-weighted index 125.6 against 125.2 six months ago. The D-mark remains strong overall, despite a firm dollar, helped by an improving balance of payments position and confidence in the economic policy of the new government — The D-mark recorded mixed changes at the Frankfurt fixing, improving against the dollar and sterling, but losing ground to the Swiss franc and Japanese yen. The Bundesbank did not intervene when the dollar fell to DM 2.5894 from DM 2.5899 in quiet trading. Sterling fell to DM 4.2880 from DM 4.2910, but the Swiss franc rose to DM 1.1633 from DM 1.1609.

JAPANESE YEN — Trading range against the dollar in 1982 is 277.35 to 219.00. October average 271.2476. Trade-weighted index 128.0 against 138.9 six months ago. The yen has shown a sudden improvement against the dollar recently, in contrast to the decline of other major currencies. A weaker economic performance, and capital outflows attracted by high foreign interest rates, had previously depressed the yen — The yen continued to advance against the dollar in Tokyo. The U.S. currency closed at the day's low of Y272.50, compared with Y276.60 on Monday, after opening at Y272.40, the highest level of the day. Yen buying reflected a reassessment of the outlook for the currency on indications that the yen has been oversold recently, and on the downward trend in European interest rates.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU November 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9704	45.5378	+1.26	+1.07	±1.5501
Danish Krone	8.23400	8.23872	+0.07	−0.12	±1.6430
German D-Mark	2.33379	2.35078	+0.73	+0.54	±1.0888
French Franc	6.61387	6.65315	+0.59	+0.25	±1.3940
Dutch Guilder	2.57971	2.55670	−0.81	−1.00	±1.5004
Irish Punt	0.691011	0.689378	−0.25	−0.44	±1.6691
Italian Lira	1350.27	1349.72	−0.04	−0.04	±4.1369

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Little sign of Liffe

Volume was at a low level on the London International Financial Futures Exchange yesterday, and traders suggested that there will be little reason for an upsurge in activity until the U.S. Federal Reserve's attitude to interest rates becomes clear. Eurodollar trading is particularly nervous following the news last Friday of an unexpectedly large rise of $2.7bn in U.S. M1 money supply. The Veterans Day holiday tomorrow will delay publication of the weekly money supply figures until next Monday, when M1 is expected to show a rise of about $3bn. But unless the M2 figure is good, confirming recent predictions from the Fed that the sharp rise in M1 is a mere temporary aberration, the market could well take fright because many dealers are holding long positions in expectation of lower interest rates.

The delay in reducing the Federal Reserve discount rate also means that a cut of 1 per cent will be required to rekindle buying interest, and that a reduction of only ½ per cent will be very bearish. The December Eurodollar price opened at 90.40, just 2 points lower than the previous close, and moved within a very narrow range to close 7 points up at 90.47.

The price of three-month sterling deposits also recorded little movement, showing no strong reaction to the sharp rise in sterling M3 money supply, which was known to be distorted by recent share issues. Sir Geoffrey Howe's financial statement on Monday also failed to produce much response from a very lethargic market, and there was not even the hope of an imminent cut in London interest rates to stimulate trading.

Volume in the sterling currency contract was slightly higher than on Monday, but trading in the D-mark remained totally neglected. The firmer price of the pound reflected the decline of the dollar on the foreign exchanges due to profit taking after the recent sharp gains.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Dec	90.47	90.48	90.40	90.42
March	90.08	90.09	90.03	90.06
June	89.72	89.72	89.66	89.69
Sept	89.39	89.40	89.40	89.42
Dec	89.19	89.20	89.20	89.25

Volume 1,168 (1,333)
Previous day's open int 2,480

THREE-MONTH STERLING DEPOSIT £250,000 points of 100%

	Close	High	Low	Prev
Dec	91.27	91.33	91.27	91.33
March	91.40	91.43	91.37	91.44
June	91.32	91.35	91.28	91.36
Sept	—	—	—	—

Volume 1,127 (1,295)
Previous day's open int 1,784

STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec	1.6585	1.6590	1.6546	1.6585
March	1.6620	1.6615	1.6600	1.6600

Volume 389 (350)
Previous day's open int 935

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
Dec	0.3872	0.3876	0.3868	0.3867
March	0.3900	0.3900	0.3900	0.3889

Volume 33 (42)
Previous day's open int 572

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	78.05	78.11	77.28	78.00
March	77.21	77.27	77.10	77.16
June	77.06	77.13	76.30	77.02
Sept	77.02	77.02	76.22	76.26
Dec	76.25	76.30	76.20	76.22
March	76.25	76.29	76.20	76.21
June	76.29	76.29	76.20	76.21
Sept	76.29	76.29	76.20	76.21
Dec	76.25	76.29	76.19	76.21
March	76.29	76.29	76.26	76.21
June	—	—	—	—

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	92.36	92.50	92.27	92.28
March	91.76	91.78	91.63	91.67
June	91.26	91.28	91.17	91.16
Sept	90.92	90.94	90.86	90.84
Dec	90.66	90.71	90.65	90.59
March	90.53	90.58	90.53	90.49
June	90.56	90.50	90.50	90.41

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.05	91.09	90.99	90.97
March	90.50	90.55	90.45	90.45
June	90.08	90.08	90.05	90.00
Sept	—	—	—	—

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	90.31	90.33	90.24	90.23
March	89.89	89.90	89.84	89.82
June	89.62	89.63	89.56	89.55
Sept	89.26	89.27	89.23	89.20

STERLING (IMM) $e per £

	Latest	High	Low	Prev
Dec	16615	16640	16570	16540
March	16655	16680	16605	16575
June	—	—	—	16625
Sept	—	—	—	—
Dec	—	—	—	—
March	—	—	—	—

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Dec	69.30	69.30	69.21	69.25
March	69.21	69.22	69.09	69.13
June	69.10	69.12	69.02	69.05
Sept	69.04	69.04	[illegible]	[illegible]
Dec	69.02	69.02	68.24	68.27
March	68.27	68.29	68.26	68.22
June	68.27	68.27	68.20	68.19
Sept	—	—	—	68.17
Dec	68.21	68.21	68.17	68.16
March	—	—	—	68.15
June	—	—	—	68.14
Sept	—	—	—	—

OTHER CURRENCIES

Nov. 9	£	$		£ Note Rates
Argentina Peso	66,221-66,261	39,940-39,990	Austria	30.00-30.50
Australia Dollar	1.7685-1.7705	1.0670-1.0680	Belgium	85.70-86.70
Brazil Cruzeiro	372.58-373.52	224.49-225.01	Denmark	14.97-15.12
Finland Markka	8.2135-8.2300	5.5350-5.5370	France	12.05-12.17
Greek Drachma	119.449-121.106	73.55-73.65	Germany	4.27-4.31
Hong Kong Dollar	11.00-11.05	6.64-6.66	Italy	2435-2465
Iran Rial	143.60*	86.80*	Japan	453-458
Kuwait Dinar (KD)	0.4865-0.4875	0.29385-0.29395	Netherlands	4.64½-4.68½
Luxembourg Fr.	83.10-83.20	50.07-50.09	Norway	12.07-12.19
Malaysia Dollar	3.9150-3.9250	2.3600-2.3640	Portugal	145-160
New Zealand Dlr.	2.3575-2.3425	1.4110-1.4125	Spain	194-207¼
Saudi Arab. Riyal	5.6970-5.7025	3.4405-3.4415	Sweden	12.43-12.55
Singapore Dollar	3.6675-3.6775	2.2130-2.2150	Switzerland	3.67-3.71
Sth. African Rand	1.9090-1.9100	1.1500-1.1505	United States	1.64¾-1.66¾
U.A.E. Dirham	6.0815-6.0870	3.6725-3.6735	Yugoslavia	119-134

*Selling rates.

CURRENCY MOVEMENTS

Nov. 9	Bank of England Index	Morgan Guaranty Changes %
Sterling	91.7	−31.5
U.S. dollar	126.2	+14.6
Canadian dollar	92.6	−16.3
Austrian schilling	118.0	+28.1
Belgian franc	93.9	−2.6
Danish kroner	81.8	−12.4
Deutsche mark	125.6	+51.1
Swiss franc	144.1	+95.9
Guilder	117.9	+26.8
French franc	72.7	−21.0
Lira	52.4	−58.3
Yen	138.0	+21.8

Based on trade weighted changes from Washington agreement December 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

Nov. 9	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.640756	0.546543
U.S. $	9½	1.06124	0.909210
Canadian $	11.30	—	1.12832
Austria Sch.	6¾	19.2752	16.5082
Belgian F	12	N/A	45.5378
Danish Kr.	11	9.65810	8.23872
D mark	5	2.74797	2.35078
Guilder	7	2.99087	2.55670
French F	9½	7.76158	6.65315
Lira	18	N/A	1349.72
Yen	5½	291.417	247.578
Norwgn. Kr.	9	7.76722	6.64178
Spanish Pts.	—	N/A	107.878
Swedish Kr.	10	7.99750	6.84590
Swiss Fr.	5	2.36179	2.01754
Greek Dr'ch	20½	78.1179	66.8088

* C$/SDR rate for Nov 8: 1.29533.

THE POUND SPOT AND FORWARD

Nov 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.6550-1.6620	1.6595-1.6605	0.04-0.09c dis	−0.47	0.28-0.38dis	−0.73
Canada	2.0180-2.0260	2.0235-2.0245	0.35-0.45c dis	−2.37	1.00-1.10dis	−2.07
Nethlnd.	4.65-4.68	4.65¾-4.66¾	1⅛-⅞c pm	2.89	3⅛-2⅞ pm	2.68
Belgium	82.90-83.25	83.10-83.20	20-30c dis	−3.61	78-88 dis	−3.99
Denmark	15.00-15.05	15.01-15.02	13-16½ore dis	−11.89	39½-49½dis	−11.82
Ireland	1.2560-1.2610	1.2575-1.2595	0.37-0.56p dis	−4.39	1.22-1.42dis	−4.18
W. Ger.	4.28-4.30	4.28½-4.29½	1-⅞pf pm	2.10	2⅛-1⅞ pm	1.98
Portugal	151.75-152.75	152.00-152.50	150-450c dis	−23.64	445-1230dis	−22.00
Spain	196.50-197.20	196.85-197.05	370-425c dis	−24.22	1060-1155d	−22.48
Italy	2,457-2,467	2,464-2,466	31½-34½lire dis	−16.06	83-88 dis	−13.87
Norway	12.08-12.13	12.10-12.11	5¾-7ore dis	−6.26	18-19½ dis	−6.13
France	12.09½-12.13½	12.11½-12.12½	5¾-7¾c dis	−6.68	26-29 dis	−9.07
Sweden	12.47-12.50½	12.48-12.49	4⅞-5ore dis	−4.44	13½-14¼dis	−4.44
Japan	449-454	450½-451½	1.05-0.85y pm	2.53	2.45-2.25 pm	2.08
Austria	30.00-30.20	30.07-30.12	6¼-3¾gro pm	1.99	14¾-9½ pm	1.61
Switz.	3.67-3.70	3.67¾-3.68¾	2⅛-1⅞c pm	6.53	5⅛-4⅞ pm	5.57

Belgian rate is for convertible francs. Financial franc 86.50-86.60. Six-month forward dollar 0.67-0.77c dis, 12-month 1.80-1.95c dis.

THE DOLLAR SPOT AND FORWARD

Nov 9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6550-1.6620	1.6595-1.6605	0.04-0.09c dis	−0.47	0.28-0.38dis	−0.79
Ireland†	1.3165-1.3205	1.3195-1.3205	0.38-0.28c pm	3.00	1.08-0.93 pm	3.04
Canada	1.2185-1.2200	1.2190-1.2200	0.17-0.20c dis	−1.82	0.40-0.43dis	−1.36
Nethlnd.	2.8065-2.8180	2.8065-2.8085	0.83-0.75c pm	3.37	2.48-2.40 pm	3.47
Belgium	50.07-50.17	50.07-50.09	12-13½c dis	−3.05	38-41 dis	−3.15
Denmark	9.0350-9.0770	9.0350-9.0450	5.90-6.90ore dis	−8.47	17.50-18.50d	−7.94
W. Ger.	2.5800-2.5910	2.5820-2.5830	0.57-0.52pf pm	2.53	1.82-1.77 pm	2.78
Portugal	91.65-92.10	91.65-91.90	95-245c dis	−22.22	235-695dis	−20.28
Spain	118.65-118.95	118.70-118.80	220-260c dis	−24.28	600-650dis	−21.06
Italy	1,484-1,486¼	1,484½-1,485½	16-17 lire dis	−13.33	46-48 dis	−12.66
Norway	7.2925-7.3150	7.2925-7.2975	3.10-3.60ore dis	−5.50	9.10-9.60dis	−5.12
France	7.2850-7.3175	7.3000-7.3050	3¾-4c dis	−5.95	14¼-15¼dis	−8.07
Sweden	7.5125-7.5410	7.5125-7.5175	1.70-2.10ore dis	−3.03	5.80-6.20dis	−3.19
Japan	270.80-273.70	271.45-271.55	0.71-0.63y pm	2.96	1.95-1.85 pm	2.80
Austria	18.11-18.16½	18.11-18.12	4.40-3.40gro pm	2.58	12.50-10.00pm	2.48
Switz.	2.2120-2.2300	2.2135-2.2145	1.32-1.25c pm	6.96	3.54-3.47 pm	6.33

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 52.08-52.18.

EXCHANGE CROSS RATES

Nov. 9	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.660	4.290	451.0	12.12	3.678	4.663	2465.	2.024	83.15
U.S. Dollar	0.602	1.	2.584	271.7	7.301	2.215	2.809	1485.	1.219	50.09
Deutschemark	0.233	0.387	1.	105.1	2.825	0.857	1.087	574.6	0.472	19.38
Japanese Yen 1,000	2.217	3.681	9.512	1000.	26.87	8.154	10.34	5466.	4.488	184.4
French Franc 10	0.825	1.370	3.540	372.1	10.	3.034	3.847	2034.	1.670	68.61
Swiss Franc	0.272	0.451	1.167	122.6	3.296	1.	1.268	670.3	0.550	22.61
Dutch Guilder	0.214	0.356	0.920	96.73	2.599	0.789	1.	528.7	0.434	17.83
Italian Lira 1,000	0.406	0.673	1.740	183.0	4.917	1.492	1.891	1000.	0.821	33.73
Canadian Dollar	0.494	0.820	2.120	222.8	5.988	1.817	2.304	1218.	1.	41.08
Belgian Franc 100	1.203	1.996	5.159	542.4	14.58	4.423	5.607	2965.	2.434	100.

MONEY MARKETS

UK interest rates little changed

Interest rates showed little change in London yesterday. Trading was quiet and uninteresting for most of the day with the only excitement provided at the short end by the Bank of England, giving assistance of £476m on a shortage of £600m. This pushed overnight money in the interbank market to a high of 12 per cent. The rate opened at 9¼-9⅜ per cent and rose a little to 9⅜-9½ per cent on the early forecast. Most business was seen at this level until around 2 pm when the revised shortage pushed rates up to 10-10½ per cent. Balances were taken at 9 per cent during the afternoon before a rise to 11½-12 per cent. One week money was quoted at 9¼-9⅜ per cent, compared with 9¼-9½ per cent with longer term rates virtually unchanged.

The Bank forecast a shortage of around £500m with factors affecting the market including bills maturing in official hands and a net take up of Treasury bills −£154m and the unwinding of previous sale and repurchase agreements −£232m. In addition Exchequer transactions drained £120m from the market, partly offset by a fall in the note circulation of £30m. The Bank gave assistance in the morning of £283m, comprising purchases of £7m of eligible bank bills at 9⅛ per cent in band 1 (up to 14 days) and £213m in band 2 (15-33 days) at 9 per cent. In band 3 (34-63 days) it bought £32m of eligible bank bills at 8⅞ per cent and in band 4 £8m of eligible bank bills (64-84 days) at 8¾ per cent and £23m of local authority bills (64-91 days) at 8¾ per cent.

The forecast was later revised to a shortage of £600m before taking into account the morning's help and the Bank gave additional assistance of £193m, making a grand total of £476m. The afternoon help comprised purchases of £114m of eligible bank bills in band 2 at 9 per cent and in band 3 £10m of local authority bills and £41m of eligible bank bills at 8⅞ per cent. In band 4 it bought £7m of local authority bills and £21m of eligible bank bills at 8¾ per cent.

LONDON MONEY RATES

Nov. 9 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	9-12	9⅛-9¼	—	—	9½-9¾	9-9½	—	—	—
2 days notice	—	—	9-9¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	9¼ 9⅜	9⅛	—	—	—	9-9¼	—	—	—
One month	9⅛ 9¼	9⅛ 9⅜	9¼	10 9⅝	9⅜	9½	9-9⅛	9⅛	9⅛	9⅜
Two months	9⅛ 9⅛	9⅛ 9⅛	9⅛	9¾-9⅜	9¼	9⅝	8⅝-8¾	8⅞	8⅞	9⅛
Three months	9⅛ 9	9⅛ 9⅛	9	9⅝ 9¼	9⅛	9½	8½	8⅝	8¾	9⅛
Six months	8⅞ 8⅝	9 9⅛	9	8⅞-8½	9	9½	—	—	8⅝	8⅞
Nine months	8⅞ 8⅝	8⅞ 9⅛	—	9¼ 8⅞	9	—	—	—	—	—
One year	8⅞ 8⅝	8⅞ 9⅛	9	9 8⅝	9	—	—	—	—	—
Two years	—	—	9⅞	—	—	—	—	—	—	—

ECGD Fixed Rate Sterling Export Finance Scheme IV Average Rate for interest period October 6 to November 2 1982 (inclusive): 9.752 per cent.

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates nominally three years 10⅛ per cent; four years 10⅜ per cent; five years 10½ per cent; ⊕ Bank bill rates in table are buying rates for prime papers. Buying rates for four-month bank bills 8²⁹⁄₃₂ per cent; four-month trade bills 9⁷⁄₃₂ per cent.

Approximate selling rate for one-month Treasury bills 8²⁷⁄₃₂ per cent; two-months 8¾ per cent; and three-months 8⅝ per cent. Approximate selling rate for one-month bank bills 9⁵⁄₃₂ per cent; two-months 8²⁵⁄₃₂ per cent and three-months 8¹⁹⁄₃₂ per cent; one-month trade bills 9¹¹⁄₃₂ per cent; two-months 9⅛ per cent; three-months 9³⁄₁₆ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 10½ per cent from November 1 1982. London and Scottish Clearing Bank Rates for lending 9 per cent. London Clearing Deposit Rates for sums at seven days' notice 5½ per cent.

Treasury Bills Average tender rates of discount 8.5069 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one-month 9½ per cent; one-three-months 9¼ per cent; three-12-months 9 per cent. Under £100,000 8¾ per cent from November 5. Deposits held under Series 3-5 per cent. The rate for all deposits withdrawn for cash 7¾ per cent.

INTEREST RATES

EURO-CURRENCY INTEREST RATES (Market closing rates)

Nov. 9	Short term	7 days notice	Month	Three Months	Six months	One Year
Sterling	9¼-9⅜	9⅜-9½	9⁷⁄₁₆-9⁹⁄₁₆	9⅛-9¼	9-9⅛	9¹⁄₁₆-9³⁄₁₆
U.S. Dollar	9⅜-9⅝	9½-9¾	9½-9¾	9⅝-9⅞	9¾-10	10⅛-10⅜
Can. Dollar	10½-11½	11-12	11-11¼	11-11¼	11-11¼	11-11¼
D. Guilder	6⅜-6½	6⅜-6½	6⅜-6½	6⅜-6½	6½-6⅝	6⁷⁄₁₆-6⁹⁄₁₆
S. Franc	1¾-2	2-2¼	2¹⁄₁₆-2³⁄₁₆	3⁷⁄₁₆-3⁹⁄₁₆	4-4⅛	4⁷⁄₁₆-4⁹⁄₁₆
Deutschm'rk	7-7⅛	7-7⅛	7-7⅛	7-7⅛	6¹³⁄₁₆-7¹⁄₁₆	6¹³⁄₁₆-7¹⁄₁₆
Fr'nch Franc	13¼-13¾	13½-14	15½-16	17¾-18¼	18¾-19¼	18½-19
Italian Lira	16-19	19-22	22-23¼	21⅝-22⅝	21¼-21⅞	20¾-21⅝
Belg. Franc						
Conv.	11½-12½	12½-13½	12½-13¼	12½-13¼	12½-13¼	12½-13¼
Fin.	12½-12¾	12½-12¾	12½-12¾	12⅝-12⅞	12⅝-12⅞	12⅝-12⅞
Yen	6½-6¾	6⅝-6⅞	6⅝-6⅞	7⁷⁄₁₆-7⁹⁄₁₆	6⅞-7	6⅞-7
D. Krone	20-20½	18½-19	16⅞-17⅝	16⅞-17⅝	16⅞-17⅝	16⅛-16⅝
Asia $ (Sing.)	9⅝-9¾	9⅝-9¾	9⁹⁄₁₆-9¹¹⁄₁₆	9¾-9⅞	9¹³⁄₁₆-9¹⁵⁄₁₆	10⅛-10¼

FT LONDON INTERBANK FIXING

(11.00 a.m. NOVEMBER 9)

3 months U.S. dollars		6 months U.S. dollars	
9 3/4 bid	offer 9 7/8	bid 9 7/8	offer 10

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Prime rate	11½-12
Fed funds (lunch-time)	9¼-9½
Treasury bills (13-week)	7.91
Treasury bills (26-week)	8.34

GERMANY

Lombard	7.0
Overnight rate	7.025
One month	7.05
Three months	7.25
Six months	7.175

FRANCE

Intervention rate	13
Overnight rate	13.25
One month	13.0625
Three months	13.0625
Six months	12.625

JAPAN

Discount rate	5.5
Call (unconditional)	6.71875
Bill discount (3-month)	7.21875

SWITZERLAND

Discount rate	5.0
Overnight rate	1¾-2¼
One month	3½-3¾
Three months	3½-3¾

NETHERLANDS

Discount rate	5½
Overnight rate	6½-6¾
One month	6¾-6⅞
Three months	6¼-6½
Six months	6⅛-6⅜

$ CERTIFICATES OF DEPOSIT

One month	9.05-9.15
Three months	9.15-9.25
Six months	9.30-9.40
One year	9.70-9.90

LONG TERM EURO $

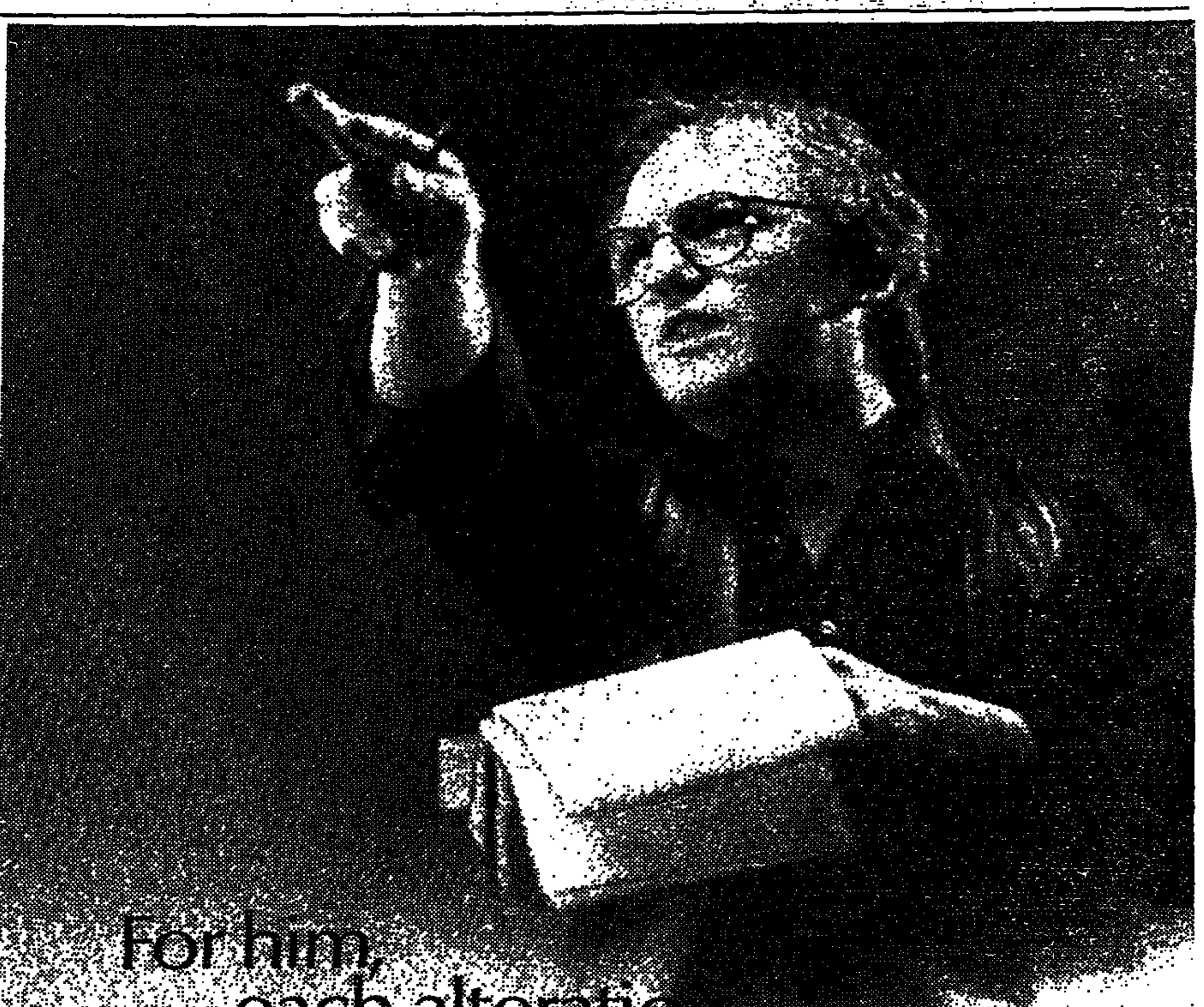
Two years	11⅜-11⅝
Three years	11⅞-12⅛
Four years	12⅛-12⅜
Five years	12⅜-12⅝

SDR LINKED DEPOSITS

One month	9⁵⁄₁₆-9⁷⁄₁₆
Three months	9⅜-9⅝
Six months	9½-9¾
One year	9¹³⁄₁₆-10¹⁄₁₆

ECU LINKED DEPOSITS

One month	10⅝-10⅞
Three months	10¹³⁄₁₆-11¹⁄₁₆
Six months	10⅞-11⅛
One year	10⅞-11⅛



FINANCIAL TIMES SURVEY

Opec's production restraint is cracking in the face of increased competition from non-members–against a background of price erosion.

World Oil Industry

Lubricating "mud" blowing back on a Mexican drill rig near Villamermosa.

CONTENTS

Strains increase as demand falls

BY RAY DAFTER, ENERGY EDITOR

THE STABILITY of the world oil market and the unity of the Organisation of Petroleum Exporting Countries will be given an acid test in Nigeria next month. Steady nerves will be required by all sectors of the oil industry.

For beneath the surface of an apparently calm, over-supplied market some ominous rumblings can be heard from a number of Opec members. The organisation's policy of voluntary production restraint appears to be disintegrating.

The scheme was adopted by the 13 Opec members early this year as a means of preventing oil supplies getting out of hand and stopping what could have been a collapse of prices. As a result of this policy the organisation, for the first time in its history, has found itself playing second fiddle to non-member producers.

For most of this year countries like the U.S., Mexico and the UK have been producing oil at a higher rate as a group than Opec. In the period January to August, for example, non-Opec production (outside Communist areas) averaged about 19.5m barrels a day, some 4 per cent up on the corresponding period of last year.

In contrast, Opec, faced with this increasing competition and a continuing dramatic decline in world oil demand, was forced to cut its output to an average of just over 18m b/d in the eight months to the end of August—22 per cent below the *level in the same period of* 1981. According to these estimates, provided by Petroleum Intelligence Weekly, Opec has been forced to shut in 42 per cent of its production capacity. And the strain is telling.

Next month's Opec ministerial meeting in Lagos could therefore be an acrimonious affair. Already three members—Iran, Libya and Venezuela — have decided to ignore the production ceilings set by the organisation as a whole. They, and other members, may feel that a relaxation of production restraint is fully justified given the normal seasonal increase in demand now becoming apparent.

The big question that remains is whehter Opec can maintain some control over output and stop production racing ahead. For if this happens there could be a real glut of oil next spring *when demand eases, and prices* could collapse to the very low levels—$12 to $15 a barrel—that have been mentioned in some U.S. economic circles recently.

Lurch

This is the last thing that Western oil companies want to *see happen. In the short run,* it would render uneconomic many of their energy projects, including most North Sea oil developments. More fundamentally, it would almost certainly cause a disruptive lurch in the oil market that would eventually end in prices spiralling upwards again.

On balance, oil companies and government agencies do not expect any of this to happen. They believe the doves within the Opec camp—Saudi Arabia, the United Arab Emirates, *Indonesia and the like—will* manage to cobble together some form of compromise to keep the organisation and its production curbs more or less intact.

For, slowly, the market is moving back in Opec's favour. Worldwide production which, earlier this year, dropped to the lowest level since 1975, appears to be recovering.

One of the contributing factors to declining demand has been the unprecedented rate at which stocks have been shed by the big integrated oil companies. This process seems to have come to an end.

A report published last month by stockbrokers Hoare Govett says that companies are now operating a "very tight stocking policy" as a means of reducing overheads. Companies are confident that if they suddenly need more oil, they will *be able to buy it on the open* market.

As a result, stocks which rose to the equivalent of about 120 days of forward supply last year have now fallen back to below 100 days' supply.

Hoare Govett reckons that by the beginning of next year non-communist world stocks could be down to the equivalent of 94 days' supply—near the middle of the 90—100 day range considered "reasonable" for the industry. In 1973 and 1979 they fell well below this level (to between 70 and 80 days' supply) and as such contributed to the energy crisis in each of those years.

No one can be certain exactly *how much crude oil and oil products* is stored in tankers, tanks — and even cans — by refiners and their customers. But, according to the U.S. Energy Department's latest report on the world oil market, non-communist stocks have fallen by more than 1bn barrels below the 1980 peak.

Estimates of the Energy Department and U.S. stockbrokers Merrill Lynch, Pierce, Fenner and Smith, suggest that there could be modest stockbuilding—at a rate of 400,000 to 500,000 *barrels a day—next year,* largely as a result of governments building up strategic reserves

The change in the stocking position should be reflected in *non-communist world oil demand* which might inch up from this year's level of about 45.5m b/d to nearer 46.5m b/d next year. Given the flat state of the world economy and the continuing influence of conservation measures, it would be rash to predict faster growth—at least for next year.

Scope

The International Energy Agency, in its new report on the energy market, projects that demand will rise to 48m-50m b/d in 1985, to 50m-56m b/d in 1990, and to 58m-74m b/d at the turn of the century. Production of Opec oil is expected to be between 23m and 26m b/d in 1985, and between 24m and 28m b/d in 2000.

But, as the agency points out, such a projection is untenable. Demand would far outstrip production (by as much as 21m b/d in the year 2000) given the limited scope of non-Opec countries to boost their output. Either oil demand must be *curbed (by conservation or a* further switch to other fuels) or the gap must be filled by higher Opec output.

In practice, a balance of supply and demand is likely to be struck by a combination of these factors — at a price. The energy agency's view that an oil supply gap would appear in the 1990s is based on an assumption that crude oil prices will still be in the $28-$45 a barrel range in real terms at the turn of the century.

The U.S. Energy Department believes the gap will be filled if prices rise to between $38 and $48.50 a barrel (in 1981 dollars) by 1990 and to between $53 and $73.50 a barrel in the *year 2000.*

Such speculation is worthy and to be expected in a sector of the energy market so dependent on long development lead *times. But experience has taught* oil companies to be sceptical of forecasts; most of the previous projections have proved to be abysmally off the mark.

Stark evidence of this can be found at the sharp end of the industry, in refining and marketing where oil companies are jostling with each other in their eagerness to pull out of markets and reduce their fixed assets. BP Canada's recent decision to sell, for about £170m, its refining and marketing interests is but the latest manifestation of *this process.*

British Petroleum has been rationalising its interests as fast as any major oil company. Its chairman, Mr Peter Walters, *says he is intent on making* BP a "leaner, fitter company, one that is better placed to take advantage of firmer market conditions when they return.

Like others in the industry BP built up a refining and marketing operation in the 1950s, 1960s and early 1970s on the assumption that demand for oil products would keep growing. In the UK, for instance, annual oil consumption has plunged to about 65m tonnes, less than half the level expected a decade or so ago.

The European Commission, concerned about the amount of excess refinery capacity in the Community as a whole, produced a report this summer *showing that without remedial* action plants in the EEC could be operating at an average efficienty of barely 56 per cent by 1985. Capacity at the end of this year is expected to be 754m tonnes a year while 1985 demand on EEC plants is projected to be no more than 420m tonnes annually.

Scrapped

A considerable amount of capacity has already been scrapped or mothballed—more than 70m tonnes of annual capacity since 1979 according to the Commission. By 1985, the Commission hopes, EEC annual refining capacity should be *down to 600m tonnes.* Even then, according to an unpublished report commissioned by the EEC, the remaining refineries would be operating at

Lo van Wachem: industry undergoing intense change

only 72 per cent of their capacity.

However, a chink of light is appearing in the tunnel. Stockbrokers Kitcat and Aitken reports that thanks to rising product prices European refiners *and marketing companies* are gradually returning to operating profitability (before overheads) after two years of almost solid loss-making.

The industry has still a long way to go before it can be deemed healthy. Mr Lo Van Wachem, president of the Royal Dutch Petroleum Company and a managing director of the Royal Dutch/Shell Group, castigated some companies last month for failing to take un*palatable — but necessary —* rationalisation and cost-cutting measures.

"It is the consequences of failure to respond which are unpalatable," he told financial analysts. "Clearly our industry is undergoing a very intense period of challenge and change."

The costs of exploration keep rising, as **Ray Dafter** reports

Increase in proven reserves

FEARS, widespread a decade ago, that the world would run out of oil by the turn of the century have turned out to be laughably unfounded. Today's debate on the remaining life of the oil industry has turned more to the question of whether resources will last into the second half of the next century or into the 22nd century.

That is a measure of the philosophical change that has occurred in the industry in recent years, largely as a result of the big drop in oil consumption and the lowered demand forecasts.

Worldwide reserves of crude oil and condensate (very light oil) stood at 670.7bn barrels at the beginning of this year — a 3.42 per cent rise on estimates a year earlier — according to Oil and Gas Journal, compiler of one of the most widely-accepted sets of reserve statistics.

But not all of the additional reserves can be ascribed to falling demand. After all, during 1981 proven oil reserves grew by 22.2bn barrels even though total production during the year was 20.4bn barrels. The oil industry not only found enough oil to replace all that was produced during the year but it discovered another year's supply as well.

The way in which successful exploration is outpacing the rate of production is in marked contrast to the position throughout much of the 1970s. Then oil companies were expressing concern that they were using oil faster than they were discovering new reserves. In 1976, for example, the industry found the equivalent of only 29 per cent of that year's production rate.

The world now has sufficient oil reserves to meet the current level of production for about 33 years. On the face of it, this is a comfortable reserves-to-production ratio. But it masks the points of tension on the international scene.

Well over half of the proved reserves lie in the Middle East which accounts for only 3 per cent of the world's oil consumption. Western Europe, which uses about 22 per cent of the world's oil production, contains less than 4 per cent of global reserves. Japan is in an even more precarious position: with very little oil of its own to speak of (70m barrels of reserves at the last count) it accounts for almost 8 per cent of the world's oil demand.

The UK is the only major industrialised country producing large volume of oil far in excess of its need. Production, mainly in the North Sea, is now running at over 2m barrels a day —54 per cent above the UK's present oil needs. But this state of affairs will not last long. By the early 1990s production and consumption could be back in balance.

On the basis of its proven and probable reserves (11.9bn barrels) the UK has sufficient oil to meet the current level of production for only 16 years whereas Kuwait could carry on producing for well over 100 years, even at a higher rate than at present, without having to find another drop of oil. The UK is destined to follow the trend set by the U.S., currently the West's biggest producer, which has seen its reserves-to-production ratio fall from 17 years in 1918 to 13 years in the 1950s and 1960s to about 9.5 years now.

In the UK the decline will be more rapid, given the smaller resource base. According to Energy Department estimates, even if the oil industry's exploration effort is successful the UK Continental Shelf is unlikely to yield more than 31.5bn barrels, enough to last just 43 years at the present rate of extraction.

But such projections give far too precise a view of the future. Past energy forecasts — invariably proved wrong—provide their own warning. It is worth remembering that in the 1880s and 1890s the U.S. Geological Survey was saying that there was little or no chance of oil being found in California, Kansas, or Texas; that, in 1914, the U.S. Bureau of Mines was forecasting the imminent end of American oil production; even in 1939 the Interior Department in Washington was predicting that U.S. oil supplies would last only 13 more years.

In general the oil industry has always been cautious when outlining future exploration prospects. Companies point out that the most promising areas have already been drilled and that the biggest and best fields have already been found.

And yet there is ample scope for more important discoveries, like those made in recent years in such regions as the North Sea and Alaska. After all, about two-thirds of all exploration and drilling activity has been confined to the U.S. There are many sedimentary basins—geological formations with oil-producing potential — barely touched.

According to Exxon, 600 of these basins have been identified throughout the world. About 160 are either being exploited or are known to be capable of supporting oil production. A further 240 have been explored to some degree although in the main only slightly. Another 100 are still essentially unexplored because of their hostile physical conditions.

The World Bank and a number of development agencies are encouraging exploration in oil-importing developing countries. Between 1977 and 1981 the World Bank loaned $1.36bn on 25 oil and gas projects in 20 different developing countries. A further $1.2bn was committed on 40 projects in as many countries by the middle of this year.

As a result of all this about 3,500 exploration wells were drilled by international oil companies in non-Opec developing countries in the seven years 1974-81, an increase of 70 per cent on the number drilled in the previous seven years.

But there is no denying that the industry is paying an ever-increasing price to find and exploit new reserves.

By the end of the century the industry could be investing $33,000 to $35,000 per daily barrel (in constant 1978 dollars) on high-cost fields in such areas as the Arctic and in deep water.

Similar high costs can also be expected to be incurred through the use of enhanced recovery methods; production techniques designed to tease more oil out of existing fields. Enhanced recovery is being used to an increasing degree (especially in the U.S.) to boost production from an average of about 30 per cent of the oil-in-place to an average nearer 40 per cent.

In a similar vein, as the need for oil rises and energy prices escalate again, so oil companies can be expected to turn to other high-cost resources such as shale oil and tar sands.

How much crude oil remains to be found will always be a moot point. In the 1940s several authoritative estimates suggested that no more than 750bn barrels would ever be discovered. On that basis the world would run out of oil some time in the 1990s. It has already used well over 450bn barrels.

Today there is a general (although not unanimous) view in the oil industry that between 1,500bn and 2,250bn barrels of oil are still to be recovered. The International Energy Agency has taken these estimates and drawn a hypothetical production profile showing how conventional crude oil could be exploited up to the year 2100.

Though interesting, such exercises serve little practical use, however. Who can tell what will happen to the energy scene over the next hundred years? No one visualised the changes that have occurred in the past decade.

What these studies do show, however, is that the oil industry can expect a long future, providing it does not price itself out of the energy market, as it was in danger of doing a few years ago.

WHERE THE WORLD'S OIL IS LOCATED

(bn tons)

	Proven reserves (Jan 1982)	(%)	Estimated additional recoverable resources*	Total expected recovery
North America	5.0	(5.5)	20- 24	25- 29
Latin America	11.4	(12.7)	12- 23	23- 34
Middle East	48.7	(54.1)	18- 52	67-101
Asia-Pacific	2.6	(2.9)	12- 18	15- 21
Africa	7.5	(8.3)	12- 34	20- 42
Western Europe	3.3	(3.7)	2- 10	5- 13
Centrally Planned Ecs	11.5	(12.8)	48- 64	60- 76
Antarctica	—		3- 3	3- 4
Total	90.0	(100.0)	127-228	218-320

* Including ultimate recovery from known fields.

Source: Oil and Gas Journal; International Energy Agency's World Energy Outlook

Non-Opec states lift market share

IN THE past year oil producers other than mebers of the Organisation of Petroleum Exporting Countries have continued to increase their share of the market. Indeed, for the first time for 30 years or so the collective output of those outside the Communist block not only exceeded Opec's but has actually increased despite slack demand.

In the period January to August this year it ran at 19.63m barrels a day, up four per cent over the same period of 1981 while Opec's dropped by 22 per cent to 18.16m b/d. The trend has been stimulated by the lower price differential of crude produced by the UK, Norway, Mexico and others. But it seems bound to continue for the next three years or so regardless of this factor.

Mexico, in particular, has successfully defied the decline in demand and has an exceptional financial incentive for continuing to do so. Its production rose from 2.3m b/d in January (when it had slumped for largely technical reasons) to 2.7m b/d in September, giving an average of 2.6m b/d for the nine months compared with full capacity of 2.9m b/d.

Exports rose by no less than 70 per cent, from 1m b/d in January to 1.7m b/d in September. In particular, they have penetrated the U.S. market at Venezuela's expense. The target set is 0.5m b/d, a limitation which expires at the beginning of January. The question is how far Mexico can go in raising its share of output in a bid to alleviate its colossal debt burden.

Indications are that output will expand at 10-15 per cent annually rather than the rate of more or less double that which had generally been anticipated. Reserves presently being exploited are divided 70 per cent light crude and 30 per cent the heavier ones though the exportable surplus is split fifty-fifty.

Sustainable capacity in prospect by 1985 would be of the order of 3.2m to 3.7m b/d with export availability in the range of 1.7m to 2.2m b/d — depending in no small measure on the alarming increase in domestic demand.

Overall, North Sea production should continue to make inroads into an almost stagnant market up to the middle of the decade. In 1981 Britain reached self-sufficiency and became a net exporter for the first time with an output of 1.8m. In April this year the rate passed 2m b/d for the first time as the yield from Brent and Ninian surged — putting Britain in fifth place as a world producer ahead of China.

Output in mid-summer was running at 18 per cent above the 1981 level. But actual performance has fallen far short of the projections made seven years ago, when the UK first became a producer and an output of 2.3m-2.8m was envisaged by 1981. The Department of Energy has now lowered its forecast for 1985 to 1.8m to 2.4m.

Thereafter, Britain's net contribution to the world oil balance is uncertain. Neither of the two big developments recently embarked on — the Clyde and North Alwyn fields —will come on stream before 1987. They will not be big enough to make up for the decline of big first generation fields such as Forties and Ninian.

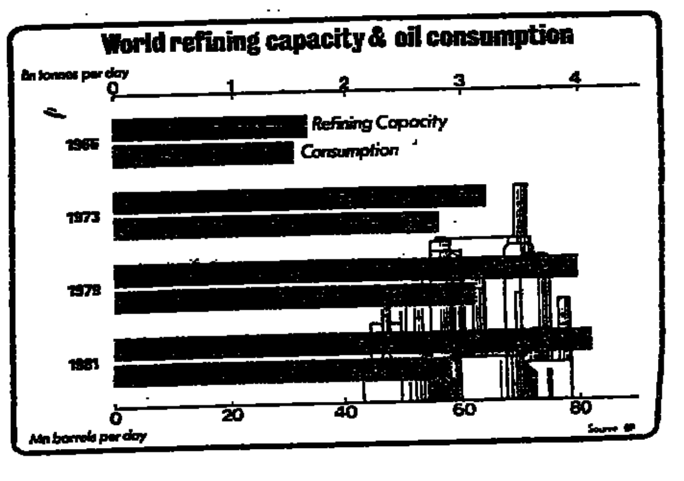
Development of Norway's sector of the North Sea, which is less rich in oil reserves, has been much slower, not least because of greater technical problems. Output ran at an average of about 250,000 b/d in 1981. This year it has already been stimulated by an increase from the Statfjord field and will be further stimulated when the Valhal field comes on stream later this month.

Three other fields are under development and four are close to a decision. Output is officially estimated to reach 450,000-550,000 b/d by 1985 and 550,000-700,000 b/d by 1990. No ceiling is in force but a decision to limit could be made and would discourage possible developments.

Challenge

Alaska was the first new area of production to have posed the suggestion of a serious challenge to Opec from 1977 onwards, though the North Sea predated it. The indications are that the Prudoe Bay field, with 90 per cent of the state's proven reserves as yet, will begin to decline by the middle of the decade, falling from the present rate of 1.6m b/d to 1m b/d by 1990. Two significant fields are about to come on stream.

Meanwhile, the intensity of activity in the Beaufort Sea and the recent response to the offer of leases here certainly hold out promise of compensation for the run-down of Prudoe Bay, despite the exceptionally long lead times of 10 to 15 years involved. The scope elsewhere in the U.S. is not negligible and is currently regarded as one of the best investment prospects. Nevertheless, the International Energy Agency foresees U.S. output declining by 1m b/d by the mid-1980s and another 1m b/d by 1990.



Canada, which became a net importer of oil in 1978 and has seen a progressive decline in its reserves, aims to become self-sufficient again by the end of the decade. Estimates of its actual reserves are three times those proven but the bulk of untapped resources are contained in the heavy oil and tar sands in the west.

To the south the Grand Banks are reckoned to have potential, but the weakening of the oil market and the high costs of development now mean that tar sands projects have been deferred.

Similarly the impact of oil from the Canadian Arctic is not expected to be felt until the mid-1990s.

Australia's output has been running at about 330,000 b/d, about two-thirds of consumption—static and falling behind the rise in demand. Production remains heavily concentrated in the Bass Strait. Exploration activity, stimulated by the more realistic fiscal terms introduced five years ago, especially setting the price of imported oil at parity with the domestic variety, has been intense until a recent fall-off in the drilling rate.

Earlier this year the Australian Petroleum Exploration Association expressed optimism that the discovery of new reserves could be one-third more than the rate of depletion. But the industry is still looking for better incentives.

While the major consuming areas are decreasing their deficits, other producers are also generating a surplus of oil.

The Middle East remains the richest region, still containing perhaps as much as one-third of the world's undiscovered reserves. In the region there are several non-Opec sources of marginal supply. Egypt is one, even at the expense of over-rapid depletion and notwithstanding a voracious growth in consumption commensurate with its population increase.

Production there, according to official estimates, is expected to increase from about 7000,000 b/d, a third of which is exported, to 1m b/d over the next few years.

Oman recently announced that it was to raise its output by 10 per cent from the present level of 320,000 b/d. Sudan will join the league of exporters in a few years' time following the go-ahead for a pipeline carrying 50,000 b/d to the Red Sea from the interior—which suggests a considerably greater potential.

Prominent

Africa south of the Sahara is now prominent in development and exploration. Angola's output of about 135,000 b/d is less than the 1980 peak but could double over the next three years. The Ivory Coast may become a far more important exporter than Gabon, a member of Opec. The production of Congo and Cameroons is increasing.

In South-East Asia Malaysia is about to edge its rate to over 300,000 b/d, with exports running at nearly 250,000 b/d. Possibilities in India and Pakistan are far from being exhausted.

China poses the most intriguing question mark in terms of how far beyond internal requirements the certain discovery and exploitation of new reserves will go. Its output, nearly all from on-shore wells, peaked at 33,000 b/d in 1979, according to the official figures. It has since declined and is expected to do so for several years yet. World Bank projections have pointed to a large and increasing dependence on imports.

The interest in licences for off-shore exploration suggest otherwise. It remains very uncertain how much will be available for export. That will depend partly on the extent to which China can switch to alternative sources of energy, notably its abundant coal reserves and hydro-electric potential.

Richard Johns

Flat prices and depressed demand have resulted in cost-cutting and new strategies. The trend is expected to be a long-term one.

Major companies tighten their belts

EXXON, the world's largest oil company, held an unusual open-air auction in Colorado last October. The auction raised $5m—a paltry amount, one might say, for a company with annual revenues of more than $100bn. None the less, even for Exxon every cent helps in these days of flat oil prices and depressed demand for energy.

The auction involved the sale of equipment and other chattels once used on the now-defunct Colony oil shale project—until recently regarded as the centre-piece of America's synthetic fuels programme. With cost estimates constantly running higher, Exxon, which at the end was putting a $6bn price tag on the shale project, decided to abandon Colony. The move was an eloquent reflection of the dramatic changes that have been taking place in the thinking and strategies inside the executive suites of some of the world's largest oil companies.

Cost cutting—from big reductions in personnel to closures of refineries and other facilities, to cutbacks in research and development spending in new technologies and alternate fuels—*has become the order of the day.* And all the signs suggest that it is not just another temporary trend but one which is likely to last for a good many *years to come.*

Earnings

The latest batch of quarterly profits reported in October by the major U.S. oil companies have again demonstrated how deep the lower oil prices and energy demand have eroded earnings. With only a few exceptions, the big oil companies in the U.S. reported declines in third-quarter earnings of between 10 per cent and more than 50 per cent compared to the third quarter of last year.

According to Dillard Spriggs, president of the New York-based oil consulting firm of Petroleum Analysis, the current problems of the oil industry "not only reflects sagging oil prices resulting from sharply falling demand for oil products since 1979, but the failure of most companies in the industry to control costs." He, like many other critics of big oil company managements, suggests that managements paid little attention *to expenses so long as the* price of oil was rising.

"That was true," Mr Spriggs told a recent conference in Canada, "not only of operating costs but also of interest expenses which leaped ahead—again because most managements did not observe carefully how much it cost them to borrow from banks and other sources."

The adjustment has been the hardest for the four partners in the so-called Arabian American Oil Company (Aramco). Exxon, Mobil, Texaco and Standard Oil of California (Socal)—the four largest U.S. oil companies in that order—have traditionally been heavy lifters of Saudi Arabian crude.

For a long time, their Aramco connection was a great advantage, especially when oil prices were going through the roof and the Saudis sought to maintain moderation in prices. But the Saudis have now been seeking to defend a $34 benchmark price for Arabian light crude or more than what the equivalent oil can be bought for on the spot *market. As a result, the Aramco* advantage suddenly became an Aramco disadvantage for the four huge oil companies.

Although in the long term large secure supplies of Saudi crude will remain a major asset for any oil company, they have hit the profit margins of the four U.S. oil majors hard in recent months, especially in Europe where oil product prices have been under particular pressure because of the combined effects of the recession and conservation.

Apart from trimming their workforce, cutting back on expenses (at Exxon first-class air travel has been stopped) and *other steps which industries* such as steel and cars have been taking for some time, the big oil companies have taken a hard look at their capital spending budgets.

All the companies have revised their original 1982 spending plans downwards from their targets announced at the end of last year. While a number of large companies including, among others, Exxon, will in fact end up spending more or at least as much as they did in 1981 this year, they are not maintaining the same high rate of increase in year-to-year capital spending.

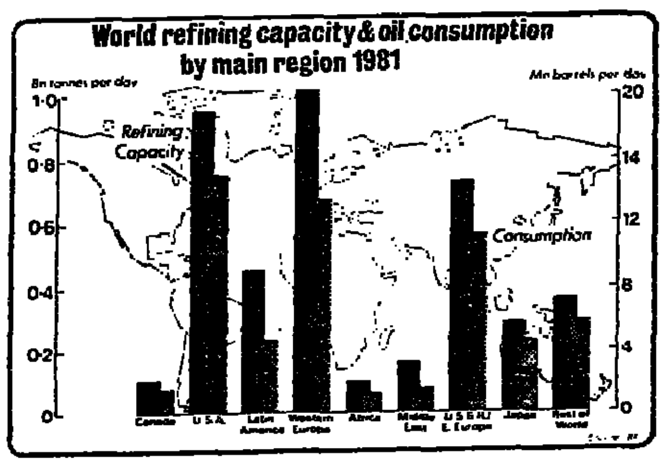
Indeed, it now seems unlikely that capital budgets will be *rising above 1981 levels for* some years to come. Mr John Bookout, chairman of Shell Oil, the U.S. oil company 69 per cent owned by the Royal Dutch/Shell group, told securities analysts in New York in October that oil company cash flow will depend on two things: the price of oil and the level of taxes. Thus if the price of oil does not increase in real terms, there is little likelihood of increases in capital spending. If taxes should be increased, capital spending programmes would have to be further scrutinised.

In terms of capital spending, the major U.S. oil companies are now looking carefully at their foreign operations both in the upstream and downstream parts of the business. Gulf, for example, is pulling out of its downstream operations in Europe and is currently negotiating the sale of these assets with Kuwait. But companies are also bringing back to the U.S. overseas dollars from foreign exploration and production. Indeed, the overwhelming trend is for the international oils in the U.S. to increasingly turn to the domestic market in the U.S. In this respect, capital spending for traditional oil and gas activities in the U.S. continues to remain large. The big cuts have been on foreign operations.

While most companies have reduced capacity in their refinery operations in the U.S. and many have restructured their marketing operations, many have continued to spend large amounts of money on leases and exploration in the U.S., especially offshore. Indeed, the oil industry spent *$2.1bn for federal leases to* drill for oil and gas in Alaska's Beaufort Sea.

This was a record for an Alaskan lease sale and one of the highest totals for a U.S. federal lease sale. The record is still held by a Gulf of Mexico lease sale which raised $2.6bn in 1980 when oil prices were climbing to their peaks. The big spenders at the lease sale in Alaska were Standard Oil of the U.S. oil company 69 per cent owned by British Petroleum, BP's Alaskan subsidiary and Texaco.

Paul Betts



Opec revenues eroded by market forces

AFTER *the heady escalation* of prices in 1979-80 and a brief period of growing uncertainty, the past year has been one of deepening gloom for the Organisation of Petroleum Exporting Countries. Revenues have been eroded not only in real but to a large extent also in absolute terms under the pressure of market forces.

The decline in the fortunes of the 13 members should have emphasised one fact: Opec does not constitute a cartel in the sense in which the term is usually understood—a group which controls prices through fixing the rate of output and, therefore, the availability of a commodity or product.

Opec has never behaved in such a disciplined and coherent fashion. It was founded in 1960 with the primary aim of maintaining and increasing per barrel prices. But in its first decade it was incapable, despite the pleadings of Venezuela, to agree on a production programme designed to accomplish that objective.

Member states' lack of any kind of financial cushion on which to fall back in the event of a showdown with the industrialised consumers, *and the* stranglehold on trade in their vital resource exercised by the oil majors until the 1970s, were enough to ensure that.

When the break-through came in 1971, a tightening of the market created the necessary circumstances for a united determination. In 1973 the Middle East war and the Arab oil embargo created the conditions for a threefold rise in *prices in almost as many* months.

The great leap forward of 1979-80 arose from an acute fear of a drastic shortfall in supplies rather than an actual one. But the consequent improvement in per barrel earnings did stimulate certain thinking about conservation among Opec members.

The circumstances then were ideal for it to start acting as a cartel and there seemed more than a distinct prospect that it would do so. In practice, though, Saudi Arabia consistently lagged behind the prices set by its lesser fellows in its attempts to assert some restraint for the benefit of consumers and the health of the world economy as a whole. By raising the ceiling on its output after the outbreak of the war between Iraq and Iran it did so again in the autumn of 1980.

Surge

Not only was the surge in prices *on the spot* market halted, but the market did not feel the effect of the stoppage of over 3m barrels a day of supplies from Iraq and Iran. Saudi Arabia was the first member of Opec to perceive the danger that the producers' association, by pitching prices too high, might weaken future demand for the export commodity, on which all rely heavily.

At the abortive attempt to restore a unified price structure, broken early in 1979, Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, had *argued that the reference* should be no more than $28 per barrel compared with the $32 then set by the Kingdom and the "deemed marker" of $36 observed by all but one of the other members.

Compromise, which was finally reached in November 1981, could have laid the basis for effective action as a cartel —if *it* had come earlier. The agreement setting a common $34 reference, with the issue of differentials for the premium African crudes, came too late and the price at too high a level.

Since then, however, the predicament of Opec as a whole —if ever it could be described as *such—has illustrated* the nature of a body that never had pretensions to sovereignty over members' interests and has always been prone to political *divisions — Arab-Iranian and* pan-Arab—of its Middle East membership which has always been predominant in terms of Opec's total production.

By the beginning of this year the dimensions of the predicament caused essentially by Opec's aggressive and blind exercise of its price leadership *had become clear.* Conservation, the switch to alternative sources of energy, and the general economic recession had all taken their toll. The circumstances were such as to stimulate Opec in March into making its first real attempt to set a production programme when a ceiling of 17.5m barrels a day was set.

Saudi Arabia, trying to remain true to its traditional *policy of rejecting any output* controls, gave only implicit assent but unilaterally reduced the upper limit on its rate to 7m b/d. Iran's acquiescence in the quota of 1.2m b/d set for it was assumed rather than given and the fact that it was already selling at $2 below the Opec price level was generally overlooked for the sake of preserving maximum unity.

Nigeria was brought into line as its production slumped and it looked as if it might capitulate to market pressures by price cutting.

Hopes of a hardening of demand, which would allow modest, progressive increments in the ceiling, proved to be unjustified despite encouraging signs before the ministerial conference in Quito, Ecuador, in May. In the face of continuing soft demand it had become clear by August that neither Iran nor Libya had any intention of observing their quotas.

Venezuela then let it be known that it would not abide by the programme if others did not observe it. By October Iran's output was running at 2.5 to 2.7m b/d while that of Libya — stimulated by a variety of disguised discounts — had surged to 1.7m b/d compared with the quota given to it of 800,000 b/d.

Overall, independent industry estimates have put Opec's output over the second quarter at 17.5m b/d, more or less in line with the ceiling, and 18.6m in the third quarter. The main impact has been on Saudi Arabia, traditionally the "swing *producer,"* which bore the brunt of the decline in demand in the 1975-77 period.

But in the present crisis it has been very much less than willing to see its revenues eroding as its output slumped in the third quarter to an average of less than 6m b/d. The Kingdom and other conservative Arab producers of the Gulf have become enraged by price-cutting and over-production by other members.

The forthcoming ordinary ministerial conference in Lagos next month will be a critical test of Opec's ability to "agree to disagree" or quarrel without breaking asunder. Difficulties will be compounded by the dispute over the right level of differentials for the premium African crudes, with Saudi Arabia and its allies adamant that they should be raised from the present level of $1.50 per barrel to $3-3.80.

Strains may be somewhat eased in the last quarter when demand for Opec oil is generally expected to recover and average about 21m b/d as a result of the progressive rundown of stocks and seasonal factors. Yet many pundits now forecast another *slump in the spring which could* prove even more of a challenge.

Certainly, there is little prospect of an amicable sharing of a greatly-diminished cake. At least there is a consensus that there can be no increase in prices, even in nominal terms, until 1984 at least. The general hope is that the decline in real prices will stimulate demand.

Demand for Opec oil has fallen dramatically from a little more than 30m b/d in 1979 to about 20m b/d this year. Sheikh Al Khalifa al Sabah, Kuwaiti Minister of Oil, recently put the predicament in some perspective when he said:

"Oil has become the residual source of energy in the global energy picture. Opec's oil is the residual source of oil in the total energy supply. Therefore, Opec's oil is the residual supplier of the residual fuel. The marginal of the marginal. This is Opec's weakness and strength."

Opec is reconciled to the fact that for the next few years there will be only a marginal increase in the demand for its *oil. The full re-entry of Iraq to* the market, not an imminent prospect, would further put the squeeze on other members. Thereafter, it is a matter for debate as to how long over-supply persists.

Sheikh Yamani, for one, takes issue with those forecasters who see the surplus extending into the next decade and perhaps to the year 2000. In this respect he finds himself at one with the International Energy Agency with its repeated warnings against complacency, and predictions of shortfall in supplies at the turn of the decade.

In the meantime the fact remains that Opec still possesses the greater part of the world's reserves and they are being depleted only a quarter as fast as those of the industrialised countries.

Richard Johns

Big new fields are harder to find but they are needed to sustain production levels.

Oil price uncertainties curb drilling

THE UNCERTAINTY of future oil prices coupled with the energy industry's financial belt-tightening caused by the economic recession and high interest rates, have taken their toll on worldwide exploration activity.

The rapid decline in U.S. exploration drilling this year would seem to bode ill for the future development and production of oil. After all, the U.S. accounts for about two-thirds of non-Communist world drilling activity. But the wider picture is not so bleak.

On the extremities of the U.S. — off the shores of Alaska and in the Gulf of Mexico — and in other drilling "hot spots" of the world oil companies are busily working to find big new fields. They are the elephant hunters, generally the bigger companies of the oil industry prepared to risk millions of pounds per well in the hope of discovering fields containing many hundreds of millions — perhaps billions — of barrels of recoverable reserves.

Reserves

These large fields are becoming more difficult to find. Indeed, the boom time for their discovery was in the 1950s and 1960s. But they are the ones needed to sustain world oil production levels.

It is a sobering fact that of *the 30,000 fields in the world* which yield either oil or oil and gas, *fewer than 300 contain* almost three-quarters of the total reserves. *These are the* giant fields of the sort found early in the life of the North Sea, containing between 500m and 5bn barrels of recoverable oil, and the "supergiants" of the Middle East each containing more than 5bn barrels.

The vast majority of explorers, the myriad of independents, set their sights on much more modest discoveries. This is evident in the U.S. where the boom-or-bust swings in drilling activity tend to distort the worldwide exploration picture.

Last year investors, dazzled by the oil price rises of the past, pumped money into exploration at an unprecedented rate. At a time of economic recession it appeared to be one of the few attractive markets. But there were not enough good drilling prospects to absorb all this cash. A lot of money was lost on unsuccessful exploration.

The present conditions are, in part, a reaction to that unjustified fervour. The number of drilling rigs in operation in the U.S. plunged from a record 4,520 in December to 2,620 in August. This summer less than half of the U.S. drilling rigs were being used — a far cry from the end of last year when there was hardly a spare piece of drilling equipment available.

Drilling costs have fallen *commensurately, by as much as* 40 per cent in some cases. This *is galling for companies which* last year ordered new rigs in the expectation that the drilling boom would last. But it is a welcome respite for the oil industry which, according to U.S. stock brokers Merrill Lynch, Pierce, Fenner and Smith, saw worldwide well costs rise by almost 25 per cent last year.

In the UK, stockbrokers Wood, Mackenzie has just produced a report showing that North Sea drilling costs are declining significantly. This is in sharp contrast to the past three years when the average cost rose from around $60,000 a day to well over $150,000. North Sea drilling rig hire rates are said to be back to their early-1980 level of $30,000 to $60,000 a day as against a peak of $90,000-$100,000 a day last year.

Response

It is possible that rates could fall even further—at least in real terms—given the large number of semi-submersible and jack-up rigs under construction. Since 1978 the number of offshore drilling units has risen at an annual compound rate of 12 per cent in response to the oil industry trend of carrying out more and more of their exploration offshore.

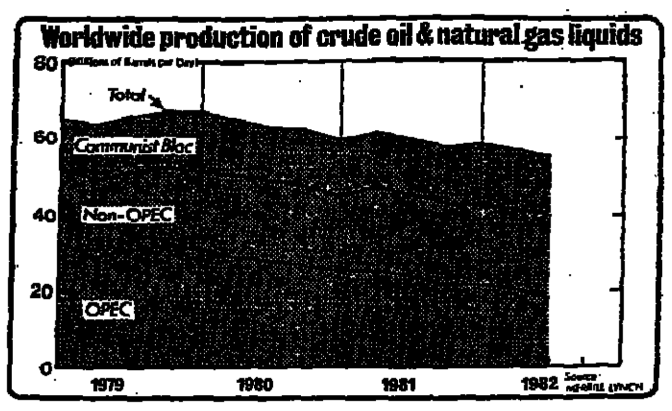
Although the oil industry has complained loudly and bitterly *about the tax systems operated* by the UK and Norwegian governments exploration appraisal work in the North Sea continues largely unimpaired. In the UK sector, for instance, drilling activity has returned to the high level of the mid to late 1970s.

Companies argue that it is still worthwhile looking, on the basis that tax levels could be lower when the time comes to exploit new discoveries. They are aware that they could still discover as much oil as they have found already (about 2bn tonnes) on the UK Continental Shelf.

But the North Sea is no longer regarded as the world's most exciting exploration prospect. Companies are looking more eagerly to other offshore areas—to China, Indonesia, Alaska, Canada, West Africa and parts of South America.

In China, for instance, more than 30 international oil companies lodged bids on August 17 to drill on the first round of offshore exploration blocks. British Petroleum, one of the companies beginning to switch their drilling emphasis away from the North Sea, says that China is licensing exploration territory "distinctly prospective and geologically interesting."

But while exploration prospects are encouraging, the logistical problem of mounting a full-scale exploration and production industry offshore China *looks to be daunting. Industry* estimates suggest that the Chinese offshore industry will need to spend at least $10bn to begin production by 1985 and a similar sum to expand by 1990. The Bank of China reckons that as much as $40bn might be needed to develop the country's oil and coal resources.



During the next decade companies are likely to turn their exploration attention increasingly to developing countries, outside the members of the Organisation of Petroleum Exporting Countries. According to a new BP publication* less than 11 per cent of the world's proven oil reserves—about 61bn barrels—lie in these developing countries. And yet these countries are thought to contain nearer one-fifth of the oil likely to be discovered by the year 2020.

That said, there is an oil industry adage which points out that the best place to explore is in an area where oil has already been discovered. And it is clear that companies would be keen—given political assurances—to drill further wells in the Middle East, Saudi Arabia and Iraq, for example, where vast oil and gas resources still lie untapped. Saudi Arabia, for one, has hinted that this may be possible in the not-too-distant future.

But for the time being the industry contents itself with searching in countries like Qatar, Dubai and Egypt all of which have rewarded recent exploration effort with significant discoveries.

* *Energy for Development: the Oil Industry's Contribution; BP Briefing Paper; Sept. 1982.*

Ray Dafter

Too many new rigs are being delivered

THE WORLD'S oil rig market clearly has over-reached itself. Gone are the days of record daily chartering rates seen last year. Instead, these have come down in the face of over-supply and most experts in the industry *see no likelihood of recovery* for at least a year.

The problem is not that the pace of exploration for oil and gas has gone down. The number of semi-submersible and jack-up rigs being used around the world is slightly higher now, at 464, than it was at the start of the year. *But too many new* rigs are being delivered and will be in coming years and exploration is not rising to absorb them.

The threat of over-supply has been apparent for some time. The Norwegian shipbrokers R. S. Platou estimated last spring that demand for jack-up rigs would have to rise at a fast annual rate of almost 35 per cent over the following 18 *months if all the capacity was to be used up.*

At the start of this year, just over 50 semi-submersibles and nearly 150 jack-ups were on order. Platou reckoned that demand for semis, now costing more than $100m each to build, would need to go up by 19 per cent a year to maintain full employment for existing units and those due to be delivered in the next couple of years.

Thus a weakening of the market was not too hard to forecast. London brokers Eggar Forrester recently said that the decline of activity in Europe's offshore industry could last for up to two years. But the renewed licensing of blocks off the UK shores could rekindle interest because many blocks which are on offer lie in attractive areas.

Last year, rig owners were obtaining top rates for their units. The daily figure for semis was above $80,000 throughout 1981 after rising sharply during the previous year. At the start of 1980, it was under $40,000. Platou said *in its yearly review that rates* for new 300-ft cantilever jack-ups of the conventional type were $45,000-$50,000 a day. Those built to withstand tough North Sea conditions could obtain up to $65,000.

But it was clear towards the year-end that these heady rates could not last. Oil companies had had to accept contracts for up to five years in order to get rigs for their immediate needs. But by December, contractual terms had *sunk to two years,* rates were easing, and no contracts had been signed for many of the rigs on order.

Eggar Forrester said a few weeks ago that very little new business was now available in the uncertain European market. But it did note that fewer than *10 semi-submersibles now being* built and due for delivery in 1983-84 were without contract. Together, the UK and Norway form the world's biggest market for semis, using about 40.

For the builders, the depressed rates — now about $50,000-$70,000 for semis—do not auger too well for their future activity. Many world yards have switched over to predominantly offshore activity as the shipbuilding scene has been acutely *depressed in recent years.* By far the largest builders of semis are the Japanese and the South Koreans, followed by European yards at some distance.

This summer, Lloyd's Shipping Economist reported that yards in Japan and Korea had been quoting rig prices up to *20 per cent lower than last* year to attract new orders *during the offshore market's* downturn.

Involved

On the jack-up side, U.S. yards lead the field, though *Asian yards are also heavily* involved, notably in Singapore. Many jack-up rigs are now idle off the U.S. and of the 74 still to be delivered, at least 12 are thought by experts to be without contracts.

One European builder of semis, Rauma-Repola of Finland, said recently it was prepared to move its offshore *capacity into other engineering* work if the rig market dried up completely. Mr Markus Lindholm, general manager of the company's Mäntyluoto works on the country's west coast, acknowledged that there was "some kind of disturbance on the market," but hoped the situation would be better by the end of next year.

The yard had not yet, however, started looking around for *other types of work. It is* currently building three all-weather semis for Global Marine of the U.S. and a multi-purpose service vessel (MSV) for Shell. The last of the Global marine rigs is due to be delivered in mid-1983.

With other rigs on order in the U.S., Canada, France, Hong Kong and Singapore, Global *eventually will have a* total of over 40 units. Most of the current fleet is fixed through much of next year, though some of the new ones are without firm business.

For a company like Furness Withy, the UK shipping operation owned by the C.Y. Tung Group of *Hong Kong*, offshore activities have proved a godsend. In the *dismal shipping* conditions now prevailing, it is the offshore side which has been turning in the profits.

Last year, the company's Houlder Offshore business made a handsome profit against the loss-making shipping side. The rigs, Kingsnorth UK and Dundee Kingsnorth, *enjoyed* boom conditions and are fixed *on profitable charters* right through to 1984 and 1986 respectively. In the past two years, some £80m of investment has been *approved* at Houlder which will double the value of the group's offshore interests.

Not surprisingly after major disasters like the Alexander Kielland and, more recently, the Ocean Ranger — off Norway and Canada respectively—tough new safety rules have been brought in. The Norwegian regulations for safety, which came in this year, cover stability, anchoring systems, emergency power supplies and life-saving equipment. Older rigs, whose owners do not think the cost of modification worth while, may leave the market altogether.

It was major design changes on the Shell MSV which delayed the £54m (originally £42m) contract considerably and put up its cost. But the Finnish yard itself has also been responsible for some of the time-lag in building. Safety is also a crucial aspect of the new semi-submersible design announced by *British* Shipbuilders a few months ago.

Thistle A in the North Sea. The decline of activity in Europe's offshore industry may last up to two years

BS wants to penetrate the offshore market more fully and its design is aimed at winning much-needed new business. But the present state of the offshore market will make this a tough goal to achieve, at least for the next year or so.

Andrew Fisher

Design ideas improving the platforms

THIS SPRING saw the biggest splash in the world oil industry's history when British Petroleum launched its 40,000-tonne steel jacket for the Magnus field, northeast of Shetland in the British North Sea.

Standing over 690 ft high, the structure was dubbed by its owner as the last of a breed —"a dinosaur" that would make way for a new dynasty of deep-water production systems. BP may be right. But there is a growing band of heretics who believe that, with some modifications, the fixed platform will remain an economic alternative to more innovative designs in turbulent waters more than 1,000 feet deep.

Many new platform concepts have been introduced in recent years to take the oil industry into ever deeper waters. At the frontiers of this technology are Conoco's tension leg platform (TLP) for the Hutton field, Elf's articulated column for North East Frigg and Exxon's guyed tower for the Gulf of Mexico Lena field.

Despite their diversity of design, they do have common features. Each represents a substantial reduction in the weight of steel required compared with traditional fixed platforms. Secondly, all are compliant structures, bending with wind and wave forces rather than providing stiff resistance.

Oil industry engineers have already produced a breed of fixed platforms that are significantly lighter than their predecessors. Strict weight control of topsides equipment and improvements in jacket design have led to substantial cuts in development bills, without sacrificing strength and safety.

The North Sea's Tartan and Cormorant "B" platforms embrace this philosophy. Another *example* is Union Oil's Cerveza Ligera platform, offshore Texas. It uses 25 per cent less steel than its companion Cerveza platform but at 942 ft is just 10 ft shorter.

The conventional wisdom in the oil industry has been that, even with such savings, fixed *platforms the size of Cerveza* would be uneconomic in North Sea conditions. But now some companies want to abandon this doctrine, by exploiting the property of "wave transparency" used by compliant designs.

A joint research team made up of engineers from Gulf, Shell, Britoil and Statoil is busy designing a fixed steel jacket for fields in 1,200 ft of water in the North Sea. By cutting down on mass, this jacket would attract fewer wave forces under which the structure would bend. Welds would be sited away from stress points to reduce the danger of metal fatigue.

It is in depths beyond about *1,500 feet that the compliant* platform will come into its own. Exploration acreage is now being acquired by the industry in waters thousands of feet deep. If hydrocarbons are found in commercial quantities, the technical problems in exploiting them will be solved, the oil companies say.

Chevron is already considering the use of a TLP for a field *in 1,600 feet of water in the* Santa Barbara Channel, off southern California. Gulf, a partner in the Hutton development, is working on a TLP design that would work in over 3,000 feet of water. Moreover, it believes the concept could be adapted for use in 5,000-feet depths.

For these great depths the wells have to be completed on the seabed and the streams *commingled in a single riser to* bring them to the surface.

Sub-sea production technology has also played an important part in the development of marginal fields. By completing wells on the seabed and tying them in immediately to a semi-submersible or jack-up rig, fields can be brought on stream without waiting for a fixed platform to be built. The reward is early cashflow and production experience before the bulk of the development capital is committed.

Phillips has gone this route with its Espoir field, off the Ivory Coast. Using subsea completions, a converted jack-up rig as a temporary processing platform and a captive storage tanker, the time from discovery to first production was telescoped into under three years.

Other methods used to enhance the economics of marginal fields include pre-drilling wells while a fixed platform is being fabricated, and minimising offshore construction work, *which can be up to 10 times as* expensive as performing the same tasks ashore. Phillips is using both techniques on its small Maureen field, in the North Sea. The platform will be floated out complete with deck and set down above pre-drilled template wells.

New production *techniques* are also being developed to *exploit hydrocarbon reserves in* the Arctic, the most extreme environment the industry has yet tackled. In these inhospitable regions, only sheer bulk will deflect the massive forces of moving ice.

Artificial *islands* made of gravel, some with re-usable *steel caissons, have been used* for the past decade for exploration drilling in relatively shallow waters. They typically cost between $1m and $2m per foot of water depth. Some will be converted into production islands as big as small towns.

Beyond about 100 ft of water, *the industry is likely to turn to* fixed platforms with steel or concrete cones to ward off the ice. In deeper waters still, subsea production methods could be used. Panarctic Oils, for example, has been evaluating subsea completions and manifolds for use on the Cisco and *Whitefish* fields, both in about 1,000 ft of ice-covered seas.

James Joseph

WORLD OIL INDUSTRY V

Drilling in the North Sea where, according to one recent study, Continental companies supplying equipment are proving extremely competitive

Europe and the Far East are the leading specialist suppliers

UK support groups lagging

UP TO £6bn a year is spent worldwide on offshore exploration and exploitation projects—a market which provides considerable opportunities for thousands of equipment manufacturers of all sizes throughout Europe, the Far East, and the U.S.

With between a third and a half of this market represented by North Sea operations alone, it would be expected that UK companies would have a significant stake in supporting the offshore industry.

However, a recent study on the impact of British industry of the North Sea oil boom reached the interim conclusion that, with the partial exception of underwater work, "the key offshore activities and architect-engineering remain dominated by foreign contractors."

Further, these contractors are not all U.S.-based as might be expected given the preponderance of U.S. oil companies in the North Sea, but "a number of Continental companies have also established competitive capabilities in various offshore activities."

Image

Support for offshore oil activities comes in a number of areas, often far less glamorous than the popular image of oil-rig operations. The drilling rig, for example, needs the back-up of safety vessels and supply boats ferrying equipment to and from shore. In addition, there are the other components needed to drill a well apart from the rig itself: such supplies as the drill pipe and drilling bits, "mud" or drilling fluid, and steel tubing and casing.

Sales of drilling fluid, for example, have been growing rapidly. During the late 1970s, sales worldwide are estimated to have grown at the rate of about a fifth a year, with a faster growth rate in the U.S. Over the next few years, estimates are that the growth in demand will increase by over 30 per cent a year on average—a result of greater drilling activity, especially the trend towards deep gas drilling. This particular trend is important since the cost of "mud" rises considerably as the depth of the well increases.

The companies that stand to benefit most from a "mud" boom are the sector majors: Magcobar, a division of Dresser Industries; Baroid, part of NL Industries; IMCO, a division of Halliburton; and Milchem, part of Baker International. In addition, there are numerous smaller companies serving both national and international markets.

In the technologically specialist areas such as exploration drilling, rig construction, platform installation and pipelaying, and support vessels, the leading suppliers come from Europe with strong competition from Japan and the Far East.

According to a report by the Science Policy Research Unit at Sussex University, carried out by Mr John Surrey head of the energy group, certain European yards are doing particularly well. These include Aker, Trosvik and Framnaes in Norway, Gotaverken in Sweden, Rauma Repola in Finland, and CFEM in France.

In platform installation, Heerema of Holland and Micoperi of Italy rank with the U.S. specialists. In pipelaying, the French and Italians are especially strong. The reason for the market strength of countries which do not have the easy accessibility of the North Sea industry seems to lie in a combination of a willingness to invest on the part of the companies concerned in high-risk areas, and the close relationship — sometimes stimulated by government — between customer and supplier. This is especially true in France and Italy.

Responsibilities

In Norway, the government formed Statoil, a similar type of company to the British National Oil Corporation (in its old form), but which additionally has specific responsibilities in connection with procurement policy.

In the UK, British policy has been channelled through the Offshore Supplies Office, a Government body set up to ensure that British industry gets a reasonable share of North Sea work.

The supplies office, not without its critics, has proved effective in many areas. Vickers, for example, has described it as being "very helpful" in guiding the company when it was tendering for the important part that it won on the tension leg platform being built for Conoco.

On the basis of the limited data available, the Sussex University research team came to the conclusion that the UK share of support services is "heavily concentrated on fabrication, manufactured equipment, and less-specialised support services, ie, activities which were within the pre-existing capabilities of British industry."

A recent report by Shell UK, The North Sea: a springboard for British industry — points out that a number of specialist module-building companies have been established in the UK to cater for the needs of the offshore industry. It adds that some have already succeeded in winning orders from other parts of the world, where similar techniques are being used for other offshore developments.

Whessoe, for example, has also won an order to supply prefabricated modules for installation at a nuclear power station based on experience gained in fabricating units for the North Sea oil industry.

The Shell report lists a number of examples of how British industry is taking advantage of the North Sea. "Undoubtedly, one of the major benefits of North Sea activity has been the stimulus given to many British companies to operate in areas of advanced and specialised technology," the report adds.

"Previously, many of those areas were served exclusively by a few foreign contractors. Firms which have developed a specialised British capability in such fields are now able to compete for orders in international markets. In addition, their involvement in the home market should mean that the UK no longer has to import such specialist technology."

David Churchill

Stocks have got out of control because of over-capacity

Sharp fall in pipeline market

STEEL PIPELINE, according to one of Europe's biggest steel stockists, is fairly difficult to give away at the moment. The villain of the peace has been a sharp slump in sales to the U.S., where the industry woke up to the fact at the end of last year that pipeline stocks were getting out of control.

Last year and the year before remained boom years for pipeline in the U.S. while markets in the rest of the world flattened out. Over-capacity within the EEC and other major producing countries marched directly into the U.S., which was one reason why pipes and tubes found themselves a focal point of the recently resolved steel imports dispute between the U.S. and the EEC.

Even some European producers admit that imports of pipeline into the U.S. market had begun to get out of hand 12 months ago. "One cannot conceive of the amount of material that was shipped in," said one industry official recently.

Welding pipeline in the North Sea. British producers are expecting a moderate flow of orders for new developments there next year. But in the industry overall there is still too much capacity chasing too few projects

Hopes among the big European producers, Mannesman of West Germany, Dalmine of Italy, Vallourec of France and the British Steel Corporation, that the crash of the U.S. market might have fired a new sense of realism in other manufacturers have not been realised.

"There is still too much capacity chasing too little business," a U.S. manufacturer said. One of the reasons for this was that a number of producers exporting to the U.S. read the market incorrectly, predicting the fall-off in demand up to 18 months after it happened. In many cases it has proved difficult to cut production quickly enough to follow the market down.

A second reason for the continuing over supply of pipeline is that some Japanese steel companies, which produced no seamless pipe when the U.S. market blossomed about three years ago, added new production lines. Some 2m tonnes of seamless pipe is due to come on stream in Japan next year.

Mr Hans-Joachim Torkuhl of Mannesman, a former chairman of the International Pipe Line Contractors Association, warned recently that the industry would not pull out of the construction slump for some time.

He said in Berlin that during the rest of the decade, there would probably be only another 49,050 miles of crude oil pipeline laid. According to the authoritative Oil and Gas Journal of the U.S., that forecast compares with 9,560 miles laid this year and 49,680 over the previous five years.

Healthy

Mr Torkuhl said the gas sector was still relatively healthy but it seemed the decline in orders would spread to the sector within the next seven years.

He expected 20,865 miles of long-distance gas pipeline to be laid this year, with another 114,885 miles before 1990.

The decline in pipeline construction for oil products has been even more dramatic than the crude oil sector. More than 11,610 miles will be built this year but present plans call for only 17,390 miles to be constructed between now and 1990.

Mr Torkuhl said decline in the oil and gas industry would coincide with an increase in the construction of slurry and water lines but it was difficult to say whether this increase would offset falls in business from hydrocarbons.

Under-utilisation of existing lines meant that new oil and gas pipelines would be built only where new sources of hydrocarbons were discovered. Mr Torkuhl said it was likely that the offshore sector would fare better than the onshore sector because of this.

One promising prospect for European producers of seamless and welded pipelines lies in the probability that existing pipelines in Western Europe do not have the capacity to carry the amount of gas scheduled to be delivered by the controversial Soviet gas pipeline. New lines may have to be built alongside the Middle European Gas Line to serve France, the Low Countries and Italy.

British producers are also expecting a moderate flow of orders for new North Sea developments next year. British Steel in particular will not be placing great store by the North Sea, however, after having its hopes dashed last year when the Government shelved plans to build a £2.7bn gas-gathering pipeline.

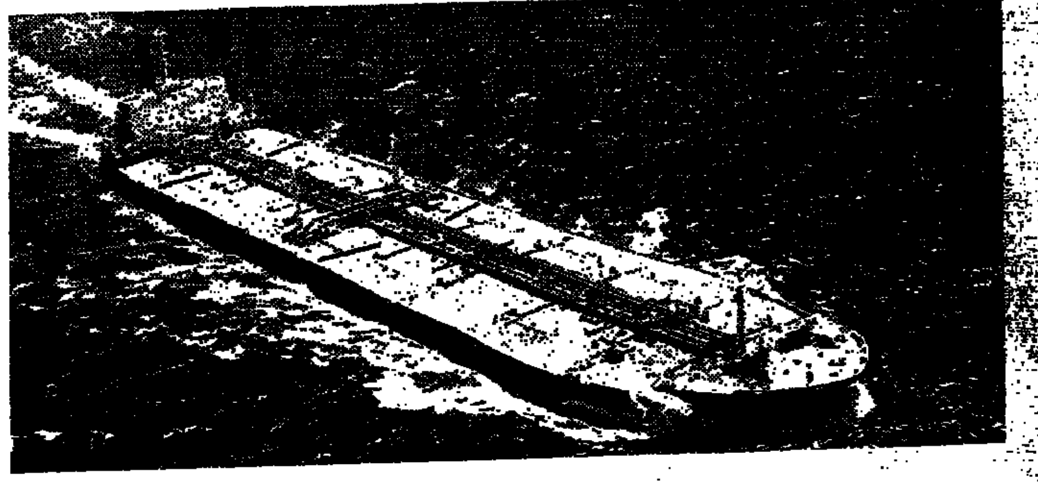
Gloom has also settled over heady plans to build a $40bn gas pipeline to carry Alaskan north slope gas through Canada into the U.S. West Coast and to Chicago. Objections from banks reluctant to finance the project, and from Congress which has argued that the gas would be too expensive, have put the project on the shelf.

There are also serious doubtr about Mexico's ability to carr through its ambitious plans tr lay some 5,400 miles of produc and gas lines throughout thr country, following the eruptio of its debt crisis in Augus Mexico has international deb of more than $80bn.

Peter Bruc

More tankers sold to cut the surplus

The amount of surplus tonnage scrapped has soared by nearly 80 per cent, as **Andrew Fisher** reports.



Supertankers are not entirely a doomed species. The 270,000 deadweight ton British Respect, built in Japan in the mid-1970s, is staying in BP's fleet, although many of the group's other oil carriers are being sold. These days, big tankers are increasingly falling victim to weak oil markets and the vast surplus of international shipping. Shipbreakers are doing record business

THE WORLD'S tanker market has been in a sorry state for more years than most operators care to remember. Ever since the main oil-producing countries raised their prices sharply in the early 1970s, the attractions of the VLCC and ULCC (very large and ultra large crude carrier) have faded.

The sad truth about the industry's gloomy position was rammed home forcefully by British Petroleum a few weeks ago when it announced a massive cutback in its already reduced tanker fleet. With a vast surplus of tonnage on the market and oil demand weak during the recession, BP simply saw no alternative to its harsh decision.

But BP was by no means alone in deciding to sell off its redundant tankers, most of which are likely to go to the scrapyards—which have been doing record business this year. Other major oil companies have also been shedding tonnage as fast as they can.

Exxon, the largest oil company in the world, has sold eight VLCCs this year, each of about 250,000 deadweight tons, from its fleets sailing under the UK, French, Dutch and Liberian flags. This still leaves it with more than 25 VLCCs and nine ULCCs.

Laid up

Texaco, another U.S. oil giant, has also been selling off tankers. At the start of October, it also had 10 tankers laid up around the world, according to Davies and Newman, the 560,000 dwt Seawise Giant, bought and enlarged by the CY Tung Group of Hong Kong, was languishing off the island of Aruba near Venezuela.

Shell, the Dutch-UK combine, sold five VLCCs last year and is disposing of six in 1982. Altogether, as many as 185 tankers were sold for scrap in the first nine months of this year, according to R. S. Platou, the Oslo brokers. This was a leap of nearly 80 per cent compared with the tonnage scrapped in the same period of last year—from 10.4m dwt to 18.5m dwt.

For the whole year, Platou reckoned the total would come to over 22m dwt—including both tankers and combined carriers which can also take other cargoes—against 13.5m in 1981. But even this will not be enough to cut the surplus. With the delivery of new tankers to be about 7m dwt this year, the overall fleet reduction of 15-16m dwt will be only 5 per cent or so of the international fleet.

Since tanker capacity is not expected to drop as fast as demand, Platou concluded gloomily: "The inevitable result will be an increase in surplus capacity." As more stringent anti-pollution measures come into force around the world, older tonnage will be gradually sold off.

The world's tankers total about 300m dwt. At mid-year, London brokers John I. Jacobs reckoned that some 165m dwt was surplus to requirements, taking account of laid-up vessels, slow steaming to save costs, other delays, and tankers used just for storage.

However, it reckoned oil demand would be stronger in the fourth quarter and this surplus figure did not really represent the likely surplus in the longer term. Even so, it is an alarming reflection of the state of the tanker business. Last year, oil use among the Western industrial countries fell by about 6 per cent and no rapid revival is expected.

For the tanker industry, the Gulf is the critical area. From this major oil-producing region to the markets of the west or east is the longest tanker haul. But other areas such as the North Sea, Alaska and Mexico have increased their share of total output. And from these loading areas to the chief markets is a much shorter route.

For BP, the reduction in its fleet from 45 to 29 tankers was the minimum action it could take. Mr Ronald Ilian, managing director of BP Shipping, admitted that the group had thought of leaving shipping altogether. But it reckoned it would still need some sort of fleet, though a smaller and more flexible one, to cope in coming years as demand picked up.

"If it wasn't for Auntie BP, we'd have had to take this action some time ago," said Mr Ilian. He found it hard to understand how independent tanker operators could carry on in these harsh times. Without more scrapping, he did not see how the balance in the market could be restored.

The latest lay-up figures from Davies and Newman show just how hard it has become for owners to find business for their tankers. At the start of October, as many as 67.8m dwt of tanker tonnage was idle. Of these 385 ships, the vast majority were owned privately rather than by oil companies.

The total actually laid up was 53.9m dwt: company-owned vessels accounted for 12.9m dwt (57 ships); those privately owned accounted for 41m dwt (266 ships). Just under 14m dwt was used for storage: Company-owned vessels took up 3.5m dwt (13 ships) of this; privately-owned totalled 10.4m dwt (49 ships).

Lay-up berths are becoming increasingly hard to find as owners scramble to sideline their surplus tonnage rather than lose money by having them wait around for cargoes—long queues in the Gulf have become common—or transport oil at unprofitable rates. Each week, the regular brokers' reports tell a gloomy tale of tanker rates, with occasional lifts here and there providing the minimum of relief.

BP runs its own lay-up facility in Brunei, an activity on which it actually makes money on the shipping side. Other owners pay about $30,000 a month to keep their ships there. This includes the use of dehumidifiers in the sticky climate, various agency and harbour dues, and full maintenance.

Norwegian fjords, the waters around the Greek port of Piraeus near Athens, and numerous other places around the world harbour idle tankers. The owners of these and other ships face continued losses in the next few years until oil demand picks up and the fleet falls back to a more economic level.

Too large

Clearly, the industry's future will not lie with the supertankers which owners ordered with such abandon in the late 1960s and early 1970s. As well as being too large for today's needs and markets — though there will still be a requirement for some big ships — many of them have uneconomic steam turbines rather than modern diesel engines.

Thus BP recently re-engined one VLCC, the British Resource, which had been built by Mitsubishi in Nagasaki and then gone straight into lay-up at Brunei without carrying a drop of oil. Other companies have also put more efficient engines into some tankers they intend to keep.

But many of the tankers now idle will never trade again. Their fate will be to go to the scrapyards, most likely in Taiwan, for a few million dollars, a fraction of their original price. But with steel in continued slump, scrap prices have moved down. Tanker owners are truly among the unhappiest people in shipping these days.

Over-capacity and flat demand at heart of refiners' troubles

DESPITE substantial closures over the past few years there is still no end in sight to the troubles of the world's oil refiners.

Continued upgrading of facilities—involving a heavy new investment—to extract a higher proportion of light products may redeem the fortunes of some. But with continuing massive over-capacity in the industrialised countries, especially in Western Europe, and only a marginal increase in demand for products in prospect over the next five years or so, there can only be many losers in the business.

The international oil industry is still living with the consequences of the short-sighted building spree embarked upon before the price explosion of 1973-74. Remarkably, its problems were compounded by decisions made after it. In 1980 total world refining capacity was rather more than 80m barrels a day, of which little more than 70 per cent was utilised. Some 83 per cent of capacity was outside the Communist centrally-planned economies which, to a large extent, have been isolated from market forces.

It has been calculated that 20m b/d of capacity was added in the 1973-80 period, about 40 per cent of which was under construction before the Arab oil embargo of 1973 and the first big escalation of prices.

The overwhelming bulk of new capacity was installed in the industrialised countries in line with the trend since the mid-1950s towards siting new refining complexes near the main concentrations of consumption rather than in the producing states themselves. The U.S. has been less affected than Western Europe and off-shore refining centres because of the price controls in force until a few years ago.

The root problem has arisen not only from the fact that the build-up was taking place during a period when demand for products was falling remorselessly. Another basic factor has been the change in the pattern of consumption with the decline in demand for the heavy residual fuel oils for which it has become increasingly economic to substitute coal or gas.

Refiners have been faced with the possibility of a lower proportion of light crudes being available from traditional sources of supply, especially the Middle East. At the same time the growth in demand in future—disproportionately great in terms of a the total—will be for petroleum and middle distillates.

That has put a premium on investment in secondary processing capacity and, in particular, cracking facilities especially in West Europe, which are backward in comparison with the U.S. in this respect, so that a bigger percentage of lighter products can be extracted from each barrel.

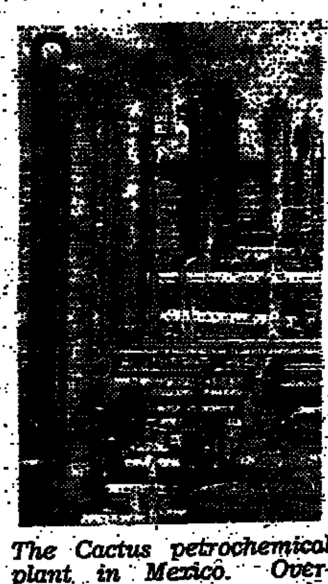
Last year petroleum and middle distillates had risen to 57 per cent of consumption in Western European and 67 per cent in the U.S. The proportion of lighter products is expected to rise faster in Europe and Japan while the share of middle distillates is expected to be more pronounced in the U.S. and Canada.

Under-utilisation is most serious in Western Europe. At the end of 1981 throughput in the EEC countries, for instance, was 10.3m b/d compared with total capacity of 17.8m b/d, according to provisional figures worked out by the EEC Commission. It foresees little change in 1982 although it believes that 80 per cent utilisation might be achieved by 1985 if capacity were to be cut further to 13.64m b/d.

As it is, one industry study has calculated that in Western Europe as a whole 2.5m b/d will have been closed and 1.78m b/d mothballed from the beginning of 1980 to the end of 1982.

The EEC Commission has projected an increase in capacity of upgraded plant in the 1980-1985 period from 1.7m b/d to nearly 2.5m b/d. The challenge is to adapt the product yield of refineries to the shifts in the pattern of demand.

Beyond that, the chances of viability depend upon the rate at which companies—some more beholden than others to governments and the multi-nationals weighing up the balance of their relationships with them—will scrap plant, much of which is obsolete and has been amortised.



The Cactus petrochemical plant in Mexico. Over-capacity is worst in the industrialised countries

Adaptable

Refining business in the U.S., where capacity utilisation is in excess of 70 per cent, is not in such a parlous state. The industry has shown itself more adaptable in closing down uneconomic plant and investing in more modern facilities. Relatively more capacity has been shut-in rather than eliminated, reflecting a more optimistic view of economic recovery.

Canada, too, presents a more healthy scene than West Europe. Indeed, a recent survey by the Petroleum Economist identified 33.9m tonnes, or 770,000 b/d under construction in North America.

There is less gloom, too, in the Far East despite a slump in capacity utilisation from 80 per cent in 1979 to well under 70 per cent. Japan, where a number of projects have been shelved and the process of substitution skilfully managed, has fared better than the average in the region where new plant planned is aimed mainly at self-sufficiency.

Most vulnerable of all is Singapore. In common with other off-shore centres where the industry has been developed to supply neighbouring states—so-called "balance refineries"—accounting for about 20 per cent of non-Communist capacity — it must be the most exposed to refinery development by members of the Organisation of Petroleum Exporting Countries — more precisely the Arab producers of the Gulf and specifically Saudi Arabia.

A recent study by Opec's Secretariat indicated that despite a rapid rise in domestic consumption by member states of 77 per cent between 1979 and 1985, the group should have an export surplus amounting to 2.4m b/d by the latter year. By then total capacity would be 8.6m b/d, 61 per cent accounted for by Arab members and 26 per cent by Saudi Arabia.

In addition there is Bahrain with its large and sophisticated export refinery fed by Saudi and Kuwaiti crude. Kuwait and Algeria also present a serious threat.

Dr Abdulhardy Tahir, Governor of the Saudi state oil corporation Petromin, said recently that product exports by Arab producers probably would not exceed 20 to 25 per cent of international trade by 1990. This reassurance could hardly have comforted the hard-pressed industry.

Saudi Arabia, at least, seems to be in a strong position to achieve its aim of marketing 825,000 b/d abroad by 1985, not least because its export refineries are fifty-fifty joint ventures with foreign companies and the interest of important customers is in maintaining a good long-term relationship with it.

The success of the others must be related to general demand for oil. If the market is in balance or deficit, the Arab producers will be in a strong position. In a weak market, recent experience has proved, Opec exports of products more often than not mean disguised price-cutting.

Richard Johns